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JOURNAL
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The Rasa Doctrine and the Concept of Suggestion in Hindu Aesthetics

BY

P. S. NAIDU,
(Annamalai University)

I

The Rasa doctrine is still a sealed book to thinkers of the present day. Samskritists who have so far attempted to analyse the doctrine approached the problem without proper psychological training, and so their efforts have been fruitless. And psychologists who are eminently fitted, by their training and research experience, to tackle baffling problems in aesthetics have not turned their attention to the study of Rasa either through disinclination, or through lack of the necessary linguistic equipment. This state of affairs is lamentable. I shall, therefore, indicate very briefly in this part of the paper the lines along which a fruitful approach may be made to the ancient Hindu aesthetic doctrine of Rasa.

That the Rasa theory rests upon a very carefully conceived psychological foundation goes without saying. The propounders of 'Rasa' had deep and clear insight into the nature of the human mind, its structure and function, and also into its mysterious ways. Not only our ancient aesthetic thinkers but also metaphysicians, religious teachers and political theorists had intuitive insight into the psychology of the human mind.

I have attempted to show in a recent[1] paper how the Gīta teaching is based on sound psychological principles very similar to those formulated by the most advanced school of psychology in the West. The Upanishads, the Darśanas, and the various Śāstras and Purāṇas contain a mass of psychological data which will amply repay the labour of scientific research. The information culled from these sources should be critically treated and reduced to a system. The results of the little systematic work that was done by the ancients are lost to us mainly through the fault of our scholars. In the field of aesthetics, successive generations of scholars came to be preoccupied with literary criticism, rhetoric and poetics, and lost touch with the vital psychological foundations of the subjects of their study and research. And modern students of literary criticism, being utter strangers to psychology, tend to distort the foundations of the ancient doctrine in order to establish startlingly novel conclusions of their own. The effect of this state of affairs is that a reconstruction of the original psychological foundations of the aesthetic doctrine has become exceedingly difficult, and demands an unusually strenuous effort of creative imagination.

That the present is an exceptionally favourable moment for the task we have set to ourselves is indicated by a significant event in the history of European Psychology. The cult of intellectualism, which reigned supreme over all departments of knowledge in the West, dominated over psychology too, and for a long time associationism was the universally accepted principle of explanation. But association psychology or mosaic psychology, with its over-emphasis on the cognitive aspect of the mind, is incapable of dealing with feelings and emotions. And a psychologist of the last century would have failed utterly had he attempted to deal with our Rasa doctrine, for Rasa is all feeling and emotion. The year 1908 witnessed a great revolution in western psychology, as great as the Copernican or the Einsteinian revolution in mathematical physics. William McDougall published in that year his epoch making work on 'Social Psychology.' The book is, in fact, a treatise on general psychology dealing with the fundamental structure of the human mind, and it reveals the utter futility and barrenness of the systems of psychology that were then in existence. The founder and leader of the new school, known as the Hormic or Purposivistic school, developed, within three decades the hormic doctrine to a fairly high degree of perfection. And at his death, about eighteen months ago, the great man left to the cultured world in general, and to the world of psychology in particular, an imperishable and priceless legacy in the shape of a system of psychology

1. Naidu, P. S. 'The Horme in Purposivistic Psychology and Karma in The Gita—A comparative study' this journal, vol. vi, 1937.

which alone is capable of dealing with the active and feeling side of human nature. McDougall published many voluminous works, and among these we may single out three books for special mention, *Social Psychology, An Outline of Psychology* and *The Energies of Man*. These contain the various aspects of the hormic theory which I propose to employ for giving a psychological orientation to the Rasa doctrine.

Unlike the behaviouristic, mechanistic or materialistic school of psychology, the hormic or purposivistic school assumes the existence of mind. (This proposition may sound exceedingly naive to our ears, but in the West it is still the subject of great controversy). Unlike the metaphysician the hormic psychologist takes a definitely scientific attitude towards mind. Mind is real in the sense in which the election is real to the physicist, and the gene to the biologist. This mind has a structure, the elements of which are inherited. We are now familiar with the biological (and in particular with the Mendelian) laws of heredity so far as the body of the organism is concerned. Laws almost identical with these are believed to be operative in the mental realm too. It may be mentioned, in passing, that McDougall is a dualist, animist and inter-actionist in his views on psycho-physical problems. He believes that in the present state of knowledge mental energy and physical energy should be conceived as two different but mutually interacting forces.

The inherited mental structure reveals, on a careful analysis, certain fixed and universal elementals common to all the members of a given species. Comparative psychology is pressed into our service here, and yields a very rich result. The behaviourist also makes use of the knowledge drawn from the realm of animal life, but the credit of putting that knowledge to good purpose in the field of human psychology goes to the hormic psychologist. The inherited elements of structure have been called *instincts*. They are according to 'The Enegies of Man,' McDougall's latest work on general psychology, about twenty in number—food seeking, disgust, sex, fear, curiosity, protectivity, gregariousness, self-assertion, submission, anger, appeal, construction, acquisitiveness, laughter, comfort and rest seeking (or sleep), and a "group of very simple propensities serving bodily needs, such as coughing, sneezing, breathing and evacuation. (The term instinct was used by McDougall in his earlier work, but as it became the storm centre of fierce controversy he replaced it by the less ambiguous expression 'propensity' in his later works). '........ there is no room for doubt that such inborn propensities are the very foundations of all our mental life, that they provide the driving forces, the hormic energies, manifested in all our activities from the simplest to the most complex.' In an oft quoted passage the great leader of the hormic school says, 'We may say, then, that directly

or indirectly the instincts are the prime movers of all human activity; by the conative or impulse force of some instinct (or of some habit derived from an instinct), every train of thought, however cold and passionless it may seem is borne along towards its end, and every bodily activity is initiated and sustained. The instinctive impulses determine the ends of all activities and supply the driving power by which all mental activities are sustained; and all the complex intellectual apparatus of the most highly developed mind is but a means towards these ends, is but the instrument by which these impulses seek their satisfaction, while pleasure and pain do but serve to guide them in their choice of the means."

'Take away these instinctive dispositions with their powerful impulses, and the organism would become incapable of activity of any kind; it would lie inert and motionless like a wonderful clockwork whose main-spring had been removed or a steam-engine whose fires had been drawn. These impulses are the mental forces that maintain and shape all the life of individuals and societies, and in them we are confronted with the central mystery of life and mind and will.'[2]

At first sight the hormic view of the native endowment of the human mind and the Rasa view may appear to be identical, but there is a profound difference between the two. To the hormic psychologist the structure of the mind, as he conceives it, is essentially a conceptual hypothesis. In the physical and biological sciences the so called laws, theories and even some of the facts are merely mental constructs or empirical generalisations, based no doubt on experimental data, but yet partaking of the nature of working hypothesis, pragmatically true for the present, but subject to revision when new facts come to light. 'The structure of the mind' says McDougall 'is a conceptual system that we have to build up by inference . . . .' To the Hindu aesthetic thinker, on the other hand, the rasa view of the mind, with its metaphysical background embodied in the concept of Vasana, is an a'priori and speculative principle from which deductions have to be made for explaining our concrete experience. This difference between the empirical and the a'prioristic attitudes of contemporary Western psychology and ancient Hindu aesthetics should be constantly kept in view, for, my chief aim is to reconstruct the rasa doctrine on scientific foundations.

The elements of the innate mental structure, then, are the various propensities, and these propensities have been investigated exhaustively by comparative psychology. The results of these scientific investigations may be summed up as follows:

Each instinctual element (or *propensity* to use the revised terminology) reveals three aspects in its structural as well as functional side.

It is excited by certain 'objects,' and when so excited gives rise to a specific mental state called an emotion. The final result of the excitation is a course of action which, from the biological point of view, may be said to be beneficial to the organism, and from the psychological, as yielding satisfaction to the individual concerned. The three aspects may be called the cognitive, the affective and the conative aspects of the 'instinct' or 'propensity'. Taking the 'fear' propensity as an example, it has been experimentally demonstrated that three fundamental excitants of 'fear' in the mind of the child are, sudden loud rasping noise, sudden loss of support and physical pain. These excitants generate the emotion of fear, and the child cries out. In the case of the adult, the 'objects' or 'excitants' of fear may be many and varied due to the process of conditioning. Experience has taught the adult to be afraid of many things and persons. But whatever the excitant, whatever the effects of conditioning on the cognitive aspect of the native structure of the propensity, the emotion generated is identical with the primitive unalloyed fear of the cave man. The emotion finally results in the course of action appropriate to the structure, namely, flight from the 'object' of fear. In the adult, the process of conditioning modifies the last or the conative aspect too. One man may run away from the 'object,' while another may stand up to it and make it run away. So, the only constant element, the element which may be used for identification, is the central or the emotional element in the instinctual structure of mind.

Taking the central or emotional part, we find that each emotion has its own characteristic expression composed of muscular movements and glandular discharges, for the most part under the control of the autonomic system. In fear, there is pallor of the face, dryness of the mouth, horripillation, perspiration, trembling, loss of speech, crouching, fixed gaze, increase in the activity of the adrenal gland, discharge of the stored up glycogen by the liver into the blood stream, rushing up of extra energy to the muscles of the leg, hand and jaw, cessation of digestive processes, etc. All these movements dovetail snugly into the final activity of the organism. We may represent the facts mentioned so far in the diagram on the next page.

All the innate mental elements listed above have the same structure as that of 'fear.' Certain modifications, however, set in as the result of experience. The human mind is not a static thing. It is a living, growing, developing, dynamic entity. The mental structure which the baby inherits undergoes considerable modifications as he grows up and gathers experience. Just as chemical elements get organised into molecules, molecules into living cells, and these into living organisms, so the propensities get organised into sentiments, concrete and abstract, and the sentiments into a scale of values with a dominant

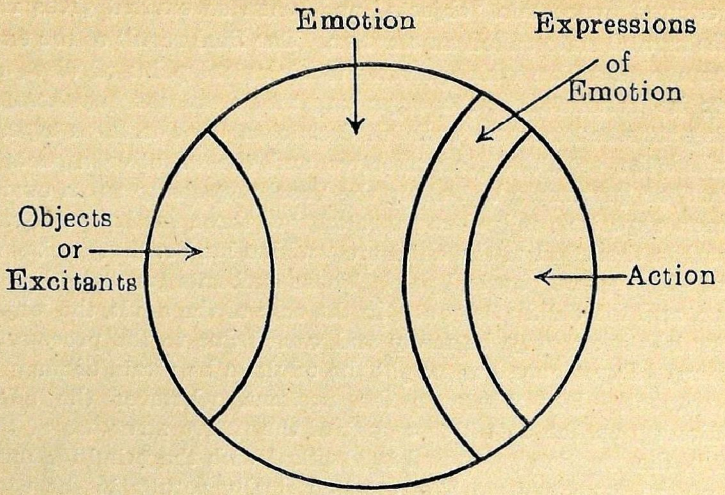

Fig. I.

or master sentiment.[2] Let us consider the sentiment of 'hatred'! Hatred, when it is directed towards a person, is a concrete sentiment. It is composed of three elementary propensities, fear, anger and disgust, which are organised round a person. When two or more elementary propensities enter into union to generate a sentiment we should investigate the changes that take place in the three aspects of their structure, the cognitive, the emotional and the conative aspects. This problem which I have dealt with in detail in a recent paper,[3] has a special bearing on aesthetic theory, yet it has been relegated to a subordinate place by McDougall, and completely neglected by our aesthetic thinkers.

The method of tripartite analysis which has been so successful and useful in the lower level of elementary propensities, should be applied to sentiments too. In hatred as a concrete sentiment we notice that on the cognitive side the three different fields of his behaviour get merged into his whole personality, and that the man as such, or even the thought of the man, now serves as the excitant of the complex sentiment of 'hatred.' With regard to the central affective or emotional side there is a perfect blend of the three elementary emotions into the

2. This analogy should not be pushed too far. An injudicious use of it will lead us back to the discarded faculty psychology.

3. Naidu, P. S., 'A Reconstruction of the Hormic Theory of Sentiments.' A.U.J., vol. viii, 1939.

sentiment of 'hatred.' And on the conative side, once again we find a close organisation. Our action is a blend of activities appropriate to disgust, anger and fear. It would conduce to clear thinking if we could secure different sets of terms to denote the three aspects of the instinctual structure and of the sentimentative structure respectively. At present, the lack of such clearly differentiated terminology is responsible for a good deal of confusion in aesthetic theory.

The evolution of mental structure does not stop at the level of concrete sentiments. It proceeds to higher levels of abstract sentiments where the centres of organisation are ideas instead of objects and persons. Love, loyalty, patriotism, justice, etc., are thus generated in the mind of the cultured persons. These sentiments, both concrete and abstract, are arranged according to a regularly graded descending scale of values with some supreme sentiment at the top of the scale. For the Westerner at the present stage of culture, the self regarding sentiment is the master sentiment, while for us The Brahman-regarding sentiment has been from time immemorial, and should continue to be the master sentiment. We should allow no other sentiment, to displace it from its high eminence.

When a person succeeds in building up a permanent scale of values, wherein each sentiment has its own fixed place, with the same dominant sentiment always occupying the top place, then he or she has achieved real culture, and real character. As with individuals so with nations. National culture is merely the way in which the national mind is organised. And as culture must express itself in cultural 'objects' such as poetry, music, painting, architecture, etc., it is possible for us to reconstruct the foundations of national culture through an analysis of these objects. But these considerations will lead us away from our main theme. And we must now turn to the psychological foundations of Rasa.[4]

II

In this, the second part of the paper, I shall attempt to give a psychological orientation to the rasa theory. Utter confusion faces us when we take a glimpse of the rasa doctrine, for we discover at once that the rasa elements belong to different levels of mental organisation or culture. Bhayānaka, bībhaṭsa, adbhuta and raudra belong to the primitive emotional level of mental structure ; hāsya and karuṇa and vīra to the higher sentimental level, while Śṛṅgāra is very near the top of the scale of sentiment values. But the source of confusion is deeper still. Dr. De, in speaking of the treatment of the rasa

4. *Vide* my papers in the A.U.J., 1938 and Prabhuddha Bharata, 1938 & 39.

doctrine in the Nāṭya Śāstra points out that Bharata's doctrine is tantalisingly simple, ... 'but he (Bharata) is not clear as to what this process of evolution exactly is.' .... 'As to what relation these elements bear to rasa, and how this state of relish is brought about, Bharata lays down in a cryptic formula:

Vibhāva-nubhāva-vyabhicāri-samyogad-rasa-niṣpattih–

Bharata's own explanation......that just as a beverage is accomplished through various seasoned articles and herbs, so the permanent mood (the sthāyi-bhāva) reinforced by various bhāvas, attains the state of rasa, and it is so-called because its essence consists in its taste or relish.......... He also explains that the sthāyi-bhāva is the basis of rasa because it attains as it were mastery or sovereignty among forty-nine different bhāvas mentioned by himself.[5] Dr. De rightly remarks that this theory is vague, and the vagueness and confusion increase a hundred fold when we consider the accounts of bhāva, vibhāva, anubhāva, sañcāri bhāva, vyabhicāri bhava, etc., given by the writers on Hindu Æsthetics. The relationship that they establish between these elements of experience is so confusing that one has to turn away from their unscientific and unanalytic discourses in utter despair.

The simple psychological analysis outlined in the first part of the paper, will, if applied to our aesthetic doctrine, introduce system into the elements, just as loosely scattered and disorganised iron filings get organised when placed in a magnetic field. It must be stated at the outset that the peculiar mental experience indicated by rasa is the result of an advanced stage of evolution. It is highly complex. We should therefore go down to the fundamental elements and begin our analysis at the lowest stage.

Hindu psychology too starts with the innate endowment of the human mind. The concept of vasana indicates clearly that our thinkers believed that the fundamental elements of mental structure were inherited. But they did not grasp the distinction between structure and function. We should emphasise the distinction, and then start with elements which are really fundamental and primitive. The sthayi bhāvas are undoubtedly the most elementary and fundamental units of mental structure, but we can accept the usual alamkara list only with certain modifications.

The sthayi bhavas are the propensities of Western psychology, and of these krodha, bhaya, jugupsa, vismaya may be accepted as being really elemental. Hāsya should be interpreted as laughter, and rati

5. De: Samskrit Poetics, Vol. I, 26.

as simple sex passion (or lust in the sense in which it is used in German). Śoka is not elemental, and so it should be replaced by tender emotion which is the most fundamental component of the complex texture of śoka. Uṭsāha should be replaced by self-assertion. With these modifications we may accept the foundation of the rasa theory. It should, however, be noted that contemporary psychology recognises several other elements, but we may confine ourselves to the ancient Hindu list, since we want to build up a psychological structure suitable for the rasa doctrine. It is interesting to note that McDougall recognised only the following seven 'instincts' in his 'Social psychology.'

Instinct	*Emotion*
Flight	Fear
Repulsion	Disgust
Curiosity	Wonder
Pugnacity	Anger
Self Assertion	Elation
Submission	Subjection
Parental Instinct	Tender Emotion

The instinct of reproduction with its emotion 'lust' was added to this list along with a few other minor instincts. There is remarkable resemblance between the two lists—the Hindu and the McDougallian—and as the latter is based on experimental data, we need have no hesitation in accepting the scheme suggested above as a satisfactory foundation for our purposes.

Having fixed the number and nature of the fundamental elements—the sthāyi bhāvas—we should proceed next to analyse each sthāyi bhava. Careful experimental investigation and inductive analyses have revealed the existence of three aspects in each element, the cognitive, the affective or emotional and the conative. Each sthāyi bhāva is aroused to activity by the perception of certain stimuli, which generate a specific emotion and lead to a characteristic response. At this stage we have to reintroduce fig. I, and attempt to see how and where the various vibhāvas, anubhāvas, sañcāri and vybhichāri bhāvas fit into the scheme.

Each sthāyi-bhāva (or primitive structural unit of mental structure as presented in our modified scheme above) is excited by its specific vibhāvas. As the result of this excitation there arises an emotion whose expressions constitute the anubhavas and sattvikabhavas. When an emotion is excited, it is accompanied by two types of bodily expression, one composed of the results of glandular discharges and movements under the guidance of the automatic system, and the

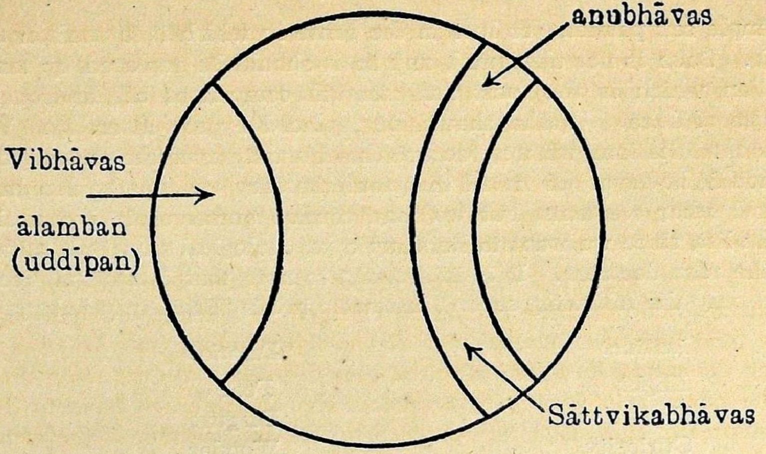

Fig. II.

other of movements mostly directed by the Rolandic motor region. These are the sāttvikabhāvas and the anubhāvas. The last or the conative (active or executive) aspect of the natural sthāyi bhāva has been neglected by the Rasa theorists, because they were not concerned with the treatment of emotions under natural conditions, but only under the artificial conditions created by dancing, drama and poetry. If the natural conditions be analysed it will be seen that the last aspect is the most important one since it safeguards the organism. Usually two stages may be discovered in the last aspect, a preparatory and a consummatory stage; and the anubhāvas and sāttvikabhāvas are only subsidiary to the executive aspect. They reinforce and facilitate those movements which the organism must make to serve the biological ends.

When we enter into the region of vyabhicāri and sancāri bhāvas we find confusion doubly confounded. There are two reasons for this; one is the neglect of psychology by literary critics, and the other is the incapacity for analysis exhibited by those who attempted to describe the mental states. The relationship between sthāyi bhāvas and some of the vyabhicāri bhavas is analogous to that between chemical elements and the compounds formed out of them. The compounds could, no doubt, be analysed into the elements, but the former exhibit certain 'emergent' properties not found in the elements, and which could not have been predicted from a knowledge of the properties of the elements alone. The human mind is dynamic and very soon the primitive elements get organised into sentiments of different degrees of complexity and importance. Sometimes the intellectual elements form the

dominant components of the complex sentiments. We should keep the elements and the compounds apart in our analysis if we are to secure any degree of clarity in our thought. Many of the sancāri and vyabhicāri bhavas are compound sentiments, some are derived emotions, and to add to the confusion a few are merely physiological states. This confusion has been introduced even into the vibhāvas, for the alambanas are the natural excitants, while the uddīpans are the result of conditioning and belong to the sentiment level.

We have indicated the lines along which the foundations of the Hindu aesthetic doctrine should be clarified by accurate analytic treatment, and how the principles of Western psychology may be used for giving the proper orientation to the rasa doctrine. As the main theme of the paper relates only to a part of the doctrine, we have to drop the matter at this stage, and proceed to the third section of the article.

III

What is Rasa ? This question has been asked and answered many times in the course of the history of Alamkara sastra, but rasa still holds its secret. It is yet a secret chamber to be unlocked, and the key that can open the door is in the hands of the hormic psychologist.

In the first and the second parts of the paper we have analysed the structure of the fundamental elements composing the human mind. It was shown how each sthāyi bhāva is activated by certain specific vibhāvas. Now, comparative psychology, social psychology and sociology and field anthropology have detected a peculiar characteristic of the mind of living organisms belonging to the higher level of evolution. Each propensity (or sthāyi-bhāva) as well as sentiment is excited not only by its vibhāvas but also by its specific anubhāvas and sātvikabhavas (or the expressions of emotions pertaining to it) in another individual of the same species. 'For each emotion....there are two classes of stimuli which have the innate capacity for evoking it. One of these is the actual object.... the other comprises the perception of the emotion in question as expressed in the behaviour of another. Thus the facial expression, cries and movements of fear directly arouse fear in a person witnessing them, and arouse it, as an instinctive response.' The wild horse is afraid not only when he sees or smells his carnivorous enemy, but also when he hears the neigh of fear sent forth by another wild horse, when the 'object' of fear perceived by the latter is invisible to the former. This process by which a sthāyi bhāva is excited by the visible or audible expression of its emotions is known as 'sympathetic induction' in contemporary psychology. Sympathetic induction operates both at the

primitive emotional level, and also at the higher sentimentative level. When induction is achieved at the higher level not through the natural expression of the blended emotion, but through such artificial means as poetry, drama and dance then Rasa is generated. Rasa is the peculiar experience which is generated in the mind of the adult whose mental structure has evolved to a fairly high level through the formation of complex sentiments, the excitant being an aesthetic object. Two characteristics of rasa experience stand revealed immediately by our analysis. One is that rasa can be experienced only by a highly cultured mind, and the other imaginary situation representing that natural objects of 'sentiment' will also arouse rasa. *Rasa, then, may be defined as the mental counter part of the totality of experience generated in a cultured person by the sympathetic induction of blended emotions pertaining to sentiments by excitants of a purely aesthetic origin.*

Our final task is to estimate to what extent the principle of sympathetic induction has been recognised by our aesthetic writers. After discoursing on vibhāvas, anubhāvas and vyabhicāri bhāvas, Bharata remarks, 'When all these are represented aided by poetry, music and other histrionic devices .... the deep seated instinctive impression of love (sthayi bhava) is kindled in the mind of the audience and developed to that climax, when through complete imaginative sympathy with the situation the audience forgets all differences of person, time and the place, and the climax of emotion reveals itself in a sort of blissful consciousness'.[6] Here, there is just a suggestion of induction. The next stage of evolution is found in the writings of the Dhvanikaras. Amidst the mass of confused observations on Asamlakshyakramavyanja, we discern some glimmerings of true sympathetic induction. This stage is succeeded by that of Ānandavardhana and Bhaṭṭanāyaka. In both writers the concept of 'induction' becomes clear. In Dasapuram a still higher level is reached with the definition of the concept of Sahradayatvam. In Abhinavagupta's Locana there is an element of added interest in the discussion of the great urge to creative activity experienced by the master artist. But it is only when we come to Visvanatha's Sāhitya Darpaṇam that we get the clearest evidence of this important psychological principle which is the very soul of rasa. An entire chapter (the fifth) is devoted to this topic, and the verses therein give a clear exposition of 'suggestion.' But a scientific foundation and scientific analysis are needed. These ancient writers seem to challenge modern scholars in our country. And the challenge has yet to be taken up and answered!

6. Dr. Sankaran, Rasa and Dhvani, ch. iii.

“ நக்கீரர் சொல் ”*

திரு. அ. சிதம்பரநாதச் செட்டியார் அவர்கள், M.A.,
தமிழ் விரிவுரையாளர், அண்ணமலைநகர்.

நக்கீரரால் இயற்றப்பட்டவை என்று சொல்லப்படும் பாச்செய்யுட்களாக நாம் அறிபவை புறநானூறு, அகநானூறு, நற்றிணை, குறுந்தொகை ஆகிய தொகைநூல்களில் ஆங்காங்குக் காணப்படும் பாக்களும், திருமுருகாற்றுப்படை, நெடுநல்வாடை என்னும் பெயரொடு பத்துப்பாட்டுத் தொகுதியிற் காணப்படுபவும், திருவெழுகூற்றிருக்கை, பெருந்தேவபாணி, கோபப்பிரசாதம், கண்ணப்பதேவர் திருமறம், கைலைபாதி காளத்திபாதியந்தாதி, ஈங்கோய்மலை யெழுபது, காரெட்டு, போற்றித் திருக்கலிவெண்பா, திருவலஞ்சுழி மும்மணிக்கோவை எனப் பதினோராந் திருமுறையிற் காணப்படுபவும் ஆம். இவற்றிற் காணப்படும் சில சொற்கள் பற்றிய ஆராய்ச்சியே இப்பொழுது கருதப்படுவது. திருவள்ளுவமாலைச் செய்யுளொன்றும், நக்கீரரால் இயற்றப்பட்டன எனச் சொல்லப்படும் சில தனிப்பாடல்களும் ஈண்டு ஆராய்ச்சிக்கு எடுத்துக்கொள்ளப்பட்டில.

மேலே மொழியிய எடுத்துக்கொண்டவற்றுள், புறநானூறு, அகநானூறு, நற்றிணை, குறுந்தொகை, திருமுருகாற்றுப்படை, நெடுநல்வாடை ஆகியவை ஒருவகை யிலக்கணப்போக்கும் மற்றவற்றுட் பெரும்பான்மைய வேறுவித இலக்கணப்போக்கும் உடையன எனத் தோற்றுகின்றது. பதினோராந் திருமுறையில் அடங்கியிருப்பினுந் திருமுருகாற்றுப்படை, அத்திருமுறையிலுள்ள நக்கீரருடைய பிற செய்யுட்களினின்றும் வேறுபடுகின்றது; திருவெழுகூற்றிருக்கை, கோபப்பிரசாதம், காரெட்டு என்பனவும் வேறுபடுகின்றன.

புறநானூறு முதலாய பனுவல்களினிடையே காணப்படுஞ் சில பொது வழக்குக்களைக் காண்போம். நீ என்னும் முன்னிலை யொருமைப் பெயர் வேற்றுமை யேற்புழி ‘நின்’ என இவற்றுள் நிற்பதைக் காண்கின்றோம்.

உதாரணம் :—

(1) “ அரியவும் உளவோ நினக்கே ”	(புறம். 56, வரி 16)
(2) “ நின்வாய் ”	(அகம். 126, வரி 1)
(3) “ நின்வயிற்பிரியலம் ”	(ஷை 205, வரி 3)
(4) “ நின்மாட்டு........பேதுற்றனள் ”	(ஷை 310, வரி 5)

* திருப்பதியில் நடைபெற்ற (இந்தியா தேசத்து) பத்தாவது கீழைக்கலை மாநாட்டின்கண் 22-3-40-இல் நிகழ்த்திய ஆராய்ச்சியுரை.

(5) "நின்னிழல் கழிப்பி"...... (ஷ 340, வரி 2)
(6) "நின்க்கே......சாந்து...அணிகுவம்"... (ஷ 340, வரி 18)
(7) "நீநின்......பாணனொடு" (ஷ 346, வரி 12)
(8) "நின்......மண்ணல்" (ஷ 369, வரி 11)
(9) "நிற்பாராட்டி" (ஷ 389, வரி 8)
(10) "நின்.........கதுப்பின்" (நற்றிணை 197, வரி 5)
(11) "மெல்லிய லரிவை......நின்" (ஷ 367, வரி 7)
(12) "நின்......பசப்பே" (குறுந்தொகை 143, வரி 6)
(13) "நின்னளந்தறிதல்"
(14) "நின்னடி உள்ளி வந்தனன்" } (திருமுருகாற்றுப்படை வரி 278, 279)
(15) "நின்வண்புகழ்" (ஷ வரி 285)

இங்ஙனம் "நின்" என்று வழங்கியதே பழமை என்க. அது பிற்காலத்தில் "உன்" என்று வழங்கலாயிற்று. தொல்காப்பியர் காலத்தே "நும்" என்பதே வழங்கிற்று என்பது,

"நும்மென் இறுதி இயற்கையாகும்" (எழுத்து. 187)
"நும்மின்திரி பெயர் வினவின் பெயரென்று
அம்முறை யிரண்டும் அவற்றியல் பியலும்" (சொல். 143)

என்னுஞ் சூத்திரங்களால் அறியப்படுவது. "நும்" என்பது வருமொழியின் முதற்கண்வர நிலைமொழியீற்றில் ஒரு னகரம் இருப்பின், அது "னும்" என மாறுதல் கண்கூடு. "னும்" என்பதை "ன்+உம்" எனப் பிரித்தலுங் கூடுமன்றோ? அங்ஙனமே பிற்காலத்தார் மயங்கிப் பிரித்தார்போலும்! புறநானூறு 58-ஆஞ் செய்யுளில் "இன்னுங் கேண்மினும் மிசை வாழியவே" என ஓரடி வந்துளது. அதனை "கேண்மின் நும் இசை" எனவும், "கேண்மின் உம் இசை" எனவும் பிரித்தல் கூடுமன்றோ? நும் இசை யெனப் பிரிக்க வேண்டியவாறு பிரிக்காது, உம் இசை யென்றாற்போலப் பிழைபடப் பிற்காலத்தார் சிலர் பிரித்து ஓதினாராக, "உம்" என்பதே தக்க சொல் என நாளடைவில் மயங்கி, அதனையே பலர் ஆளத்தொடங்கியிருத்தல் வேண்டும். ஆகலின் பழஞ் செய்யுட்களிற் காணப்படாத "உம்" என்ற இவ்வழக்கு புறநானூறு முதலான தொகைநூல்களில் உள்ள நக்கீரர் பாடல்களிற் காணப்பட்டிலது. "எம்" என்ற பன்மைத் திரிபெயர்க்கேற்ப "என்" என்ற ஒருமைத் திரிபெயர் உளதாதல் போலவும், "தம்" என்ற திரிபெயர்க்கேற்ப "தன்" என்பது உளதாதல் போலவும், "உம்" என்ற பன்மைத் திரிபெயர்க்கேற்ப "உன்" என்ற ஒருமைத் திரிபெயரும் உளதாதல் வேண்டும் என்னும் பிறழ்ச்சி யுணர்வாற் பிற்காலத்தே "உன்" என்பது பயிலத்தொடங்கி யிருத்தல் வேண்டும். ஆகலின், புறநானூறு முதலிய பாடற்றொகைகளிற் காணப்படாத "உன்" பிற்காலப் பாடல்களிற் காணப்படுவதாயிற்று.

"நீயென் ஒருபெயர் நெடுமுதல் குறுகும்
ஆவயின்னகரம் ஒற்றுகும்மே" (எழுத்து. 179)

என்னுந் தொல்காப்பியச் சூத்திரத்தான், நின் என்பதே பண்டை வழக்கு என்பது தேறப்படும்.

திருக்கண்ணப்பதேவர் திருமறத்தில் "உன்" என்பது ஆளப்பட்டுளது என்று பின் வருபவற்ருல் அறியலாம்:—

(1) உற்றது கேட்டருள் உன்றனக்கு அழகா (வரி 79)
(2) என்றும் உன்றனக்கினிதே (வரி 87)
(3) அவியே இது வெனக்கு; உனக்கு......காட்டுவன் (வரி 113)

"உம்" என்பது கைலைபாதிகாளத்திபாதியந்தாதியில் ஆளப்பட்டுளது:—

"உம் ஆவிதன்னைக் குடைந்துண்ண எண்ணிய வெங்கூற்றம்"
(3-ஆம் செய்யுள்)

இப்பனுவல்களில் வரும் இவ்வழக்கு நக்கீரர் இயற்றிய புறநானூற்றுப் பாடல்கள் முதலானவற்றுட் காணப்படுவதொன்றன்று.

இனி, று என்னும் விகுதிமுன் அன்சாரியை வந்து வினைமுற்றுக்கள் முடிவுபெறுவது அகநானூறு முதலாய பழைய தொகைநூல்களில் வரும் நக்கீரர் பாடல்களில் மிக்குக் காணப்படுகிறது. திருமுருகாற்றுப்படையொழிந்த பிற பதினோராந் திருமுறைச் செய்யுட்களில் இவ்வழக்கு நக்கீரரால் ஆளப்பட்டிலது.

உதாரணம்:—

(1) வண்ணங்கொண்டன்று கொல்லோ (அகம். 57, வரி 13)
(2) கல்சேர்ந்தன்றே பல்கதிர் ஞாயிறு (ஷை 120, வரி 5)
(3) நுதல் பசந்தன்றே (ஷை 227, வரி 1)
(4) நோதக்கன்றே (குறுந்தொகை 78, வரி 4)
(5) விரிந்தன்று (திருமுருகாற்றுப்படை, வரி 92)
(6) கொடுத்தன்று (ஷை வரி 94)
(7) வேட்டன்று (ஷை வரி 100)
(8) கூதிர்நின்றன்று (நெடுநல்வாடை, வரி 72)

"அர், ஆர், ப எனவரூஉ மூன்றும், பல்லோர் மருங்கிற் படர்க்கைச் சொல்லே" (சொல். 206) என்னுந் தொல்காப்பிய விதியால், அர்கள் ஆர்கள் என்ற வாய்பாட்டிற் பிற்காலத்தில் முடிந்ததுபோல் தொல்காப்பியர் காலத்து முடிந்ததில்லை என்பது புலனுகும். பழைய இலக்கியங்களில் உயர்திணைப் பல்லோர் படர்க்கைச் சொற்கள் "அர்" ஈறுபெற்று நின்றனவேயன்றி, "அர்கள்" என இற்று நின்றில. "அர்"மேல் "கள்" அடுக்கிநின்ற சொற்கள் நக்கீரர் பாடிய அகநானூற்றுச் செய்யுள் முதலானவற்றுள் இல்லை

உதாரணம் :—

(1) வளங்கெழு கோசர் (அகம். 205, வரி 9)
(2) களங்கொள் மள்ளர் („ 227, „ 11)
(3) தொடைத்தார் மழவர் („ 249, „ 12)
(4) வாடாப்பூவிற் கொங்கர் („ 253 „ 4)
(5) கைவண்சோழர் („ 369 „ 13)
(6) இளையருஞ்சூடி வந்தனர் (நற்றிணை 367, வரி 10)
(7) நோயின்றியன்ற யாக்கையர் மாவின்
அவிர்தளிர் புரையுமேனியர் அவிர்தொறும்
பொன்னுரை கடுக்குந் திதலையர் (திருமுருகாற்றுப்படை 143-145)
(8) இருகோட்டறவையர் (நெடுநல்வாடை, வரி 35)
(9) கூந்தல் மகளிர் கோதை புனையார் (௸ வரி 53)
(10) யவனர் இயற்றிய..............பாவை („ „ 101)
(11) ஆடவர் குறுகா அருங்கடி வரைப்பு („ „ 107)

இவற்றின் மாறாக "அமரர்கள் தலைவனை" என்று பெருந்தேவ பாணியிற் காணப்படுகின்றது. பதினோராந் திருமுறையிற் கோக்கப்பட்டுள்ள நக்கீரர் பாடல்கள் வேறு சிலவற்றுள்ளும் இம்மாறுபட்ட வழக்குக் காணப்படுகின்றது.

உதாரணம் :—

(1) கற்றவர்கள் (கைலைபாதி காளத்திபாதி. செய். 2)
(2) கொன்றை சூட்டுமின்கள் („ „ „ 36)
(3) பத்தர்களைக் கண்டால் பணிந்தகலப் போமின்கள்
(கைலைபாதி காளத்திபாதி. செய். 86)
(4) தேவாசுரர்கள் (போற்றித் திருக்கலிவெண்பா, வரி 12)
(5) போருகந்த வானவர்கள் („ „ „ 14)
(6) வானவர்கள் தாம் கூடி („ „ „ 18)
(7) தானவர்கட் காற்றாது தன்னடைந்த நன்மை விறல்
வானவர்கள் வேண்ட மயிலூருங்கோனவன்
(போற்றித்திருக்கலி வெண்பா, வரி 31)
(8) நினைந்து நிற்பார்கள்......அத்தனடி சேர்வார்கள்
(போற்றித்திருக்கலி வெண்பா, வரி 44-45)
(9) நாறுதண் கொம்பரன்னீர்கள்
(திருவலஞ்சுழி மும்மணிக்கோவை, செய். 12)

மேலும், நக்கீரர் பாடிய செய்யுட்களாகப் புறநானூறு, நற்றிணை முதலானவற்றுட் காணப்படுகின்றவற்றில் கின்று, கிறு ஆகிய நிகழ்கால இடைநிலைகள் காணப்பட்டிலவாக, பதினோராந் திருமுறையில் அடங்கிய கைலைபாதி காளத்திபாதி யந்தாதியிலும், ஈங்கோய் மலையெழுபதிலும், திருவலஞ்சுழி மும்மணிக்கோவையிலும் "கின்று" நிகழ்காலம் உணர்த்த ஆளப்பட்டுள்ளமை காண்கின்றோம்.

உதாரணம்:—

(1)	பொழுது கழிக்கின்றார்	(கைலைபாதி. செய். 12)
(2)	தலைவதடு மாறுகின்றேன்	(„ 16)
(3)	காணாது அலக்கின்றார்	(„ 18)
(4)	வெள்ளெலும்பு பூண்கின்றது	(„ 51)
(5)	ஒன்றாகி மீண்டு பலவாகி நிற்கின்றான்	(„ 67)
(6)	செறிகின்ற தீவினைகள் எல்லாம்......போம்	(„ 74)
(7)	போகின்ற மாமுகிலே	(„ 75)
(8)	அடியேற்கு அருளாது ஒழிகின்றது என்பாவமேயன்றே	(„ 76)
(9)	தீங்கையடுகின்ற காளத்தி யாள்வாய் நான் நல்ல பணிகின்ற வண்ணம்பணி பையப்போ என்கின்ற	(„ 96)
(10)	பாவனைசெய் ஈங்கோயே	(ஈங்கோய்மலை. செய். 12)
(11)	ஆள்கின்ற அண்ணல்	(திருவலஞ்சுழி. செய். 3)
(12)	கானவர் வாழ்கின்ற சேணெறி	(„ 12)

திருவெழுகூற்றிருக்கையில் வாசகம், கீதம், பாதம், பரமேட்டி, வேதியன் என்ற வடமொழிச்சொற்கள் வந்துள்ளமையாலும், கோபப் பிரசாதத்தில் நிதி, குபேரன், ஈசன், கோபப்பிரசாதம், பரமன், மூர்த்தி, கரதலம், சிவலோகன், தேவதேவன், பாவநாசன், சோதி, சித்திரம், ஞானம், மூர்க்கம், ஆகியவை வந்துள்ளமையாலும், அவ்விரு பிரபந்தங்களும் பிற்காலத்தவையென்று வாதிக்கக் கூடுமாயினும், மேலே கண்ட நால்வகையானும் அவை பிற்காலத் தவையென்று நிறுவ இடமில்லை. கண்ணப்பதேவர் திருமறத்தில் தவம், தீவகம், புண்ணியபாதம், அர்ச்சனை, முத்திரை, மந்திரம், பிரான், குணம், மாதவன், லிங்கம், கதி என்ற சொற்களும், பெருந்தேவபாணியிற் சூலபாணி, நீலகண்டன், பரமயோகி, தேவதேவன், வேதகீதன், பாவநாசன், பரமேச்சுவரன், ஆதிமூர்த்தி, சாதி, சோதி, வேதவிச்சை, புண்ணியமூர்த்தி, பிராணி, நிமலன், ஈசன், தருமன், பிரமன், சுந்தரவிடங்கன், நீதி, வரதன், தீர்த்தம், பத்தி, முத்தி, தேவாதிதேவன், திக்கு என்ற சொற்களும் வடமொழியினின்று வந்து வழங்கியுள. போற்றித்திருக் கலிவெண்பாவிலும் புண்டரீகம், பாதம், அண்டரண்டம், பூசித்த, வரம், கோபம், மந்திரித்த மந்திரம், தேவாசுரர்கள், சிரம், இலிங்கம், சக்கரம், வேதம், சேனாபதி, அந்தகன், பவம், பாவனை தக்கிணம், மகுடம், போனகம் ஆகிய வடமொழிச் சொற்கள் வந்துள. இம் மூன்று பிரபந்தங்களையும் மேலே கண்ட நால்வகையான் நோக்குழி, இவை பிற்காலத்தவை என்று தோற்றுதலால், வடமொழிச் சொற்களை நிரம்பப் பெற்றுள்ளமை அக்கருத்தை வலியுறுத்தும் என்க. ஆனால், நக்கீரர் பாடிய புறநானூற்றுப் பாடல் ஒன்றில் (189) யாமம் என்பதும், மற்றொன்றில் (56)

சடையென்பதும், திருமுருகாற்றுப்படையில் தெய்வம், திலகம், நியமம், மந்திரவிதி, கலிங்கம், அங்குசம், வதுவை, மதம், பலி, நகர், யூகம் என்பனவும், நெடுநல்வாடையில் அமயம் (75) தெய்வம் (77) நகர் (90) தசநான்கு (115) கலிங்கம் (134) உரோகிணி (163) யாமம் (186) என்பனவும் வந்துள்ளமை யால், வடமொழிச்சொல் வழக்குண்மை ஒன்றுகொண்டே ஒரு நூலின் காலத்தைத் துணிதல் தக்கதன்றெனத் தோற்றுகின்றது.

எனவே, வடமொழிச் சொற்களைப் பெற்றுள்ளமையால் திருமுருகாற்றுப்படை யொழிந்த பதினோராந் திருமுறைச் செய்யுட்கள் நக்கீரர் பாடியன பிற்காலத்தன என மொழிகின்றாமில்லை. அவைதம்முள், "காரெட்டு" என்ற தலைப்பின்கீழ்க் காணப்படும் வெண்பா எட்டனுள் பாசுபதன், அரவிந்தம், கண்டம், அண்டம், ஆதி என்ற வடமொழிச் சொற்கள் காணப்படுகின்றதொன்று நோக்கியே அது பிற்காலத்ததென்றல் ஆகாது. காரெட்டு, திருவெழுகூற்றிருக்கை, கோபப்பிரசாதம், என்றவற்றுள் "உன்" "அர்கள்" "கின்று" ஆகியவற்றுள் ஒன்றுதானும் ஓரிடத்தும் ஆளப்படாமையால் அவற்றை எழுதிய நக்கீரர் இன்னர் எனத் துணிந்து கூற ஒண்ணாது. அம் மூன்று பாச் செய்யுட்களும் திருமுருகாற்றுப்படையும் ஒழிந்த ஏனைய பெருந்தேவபாணி, திருக்கண்ணப்பதேவர் திருமறம், கைலை பாதி காளத்திபாதி யந்தாதி, திருஈங்கோய்மலை யெழுபது, போற்றித் திருக்கலிவெண்பா, திருவலஞ்சுழி மும்மணிக்கோவை என்னும் ஆறும் இயற்றிய நக்கீரர் புறநானூறு, அகநானூறு, நற்றிணை, குறுந்தொகை என்னுந் தொகைகளிற் காணப்படுஞ் சில பாக்களையும், திருமுருகாற்றுப்படை, நெடுநல்வாடை என்னும் இவ்விரண்டையும் இயற்றிய நக்கீரரினும் வேறு பட்டவர் என அறியப்படும். திருவிளையாடற்புராணம் முதலாய சில புராணங்களிற் காணப்படுங் கதைகள் பொருத்தமற்றுப்போகும் என்ற ஒரு செய்தியே கருதிச் சங்கப்புலவராய நக்கீரனாரே பதினோராந் திருமுறையி லுள்ள ஐயமுறத்தக்க இப்பாக்களையும் இயற்றினர் எனக் கோடல் எத்துணைப் பொருத்த முடைத்து என இனிச் சிந்திக்கவேண்டும்.

நக்கீரர் ஒருவரேயாக, இருவரேயாக; அச்செய்தி ஐயமற இன்னும் நிறுவப்பெறவில்லை யெனினும், மேலே காட்டப்பட்டவாற்ருல் இருவகை நக்கீரர் சொன்னடை பாச்செய்யுட்கண் உள்ளது என்பது மறுக்க ஒண்ணு உண்மை என்று அறியப்படும்.

BHĀVANĀVIVEKA

BY

MAṆḌANAMIŚRA

WITH

VIṢAMAGRANTHIBHEDIKĀ

BY

NĀRĀYAṆA

Edited with Introduction

BY

V. A. RAMASWAMI SASTRI

AND

K. A. SIVARAMAKRISHNA SASTRI

[1]अत्रोच्यते—

अनेकार्थत्वमन्याय्यं तेनैकाधिकरण्यतः ।
करोतिना तिङन्तेषु [2]भावभेदोऽनुमीयते ॥ २७ ॥

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[3]इदानीं सिद्धान्तवादी धात्वर्थातिरिक्तां भावनां सत्तया शब्दार्थतया च समर्थयितुमुपक्रमते। अत्रोच्यते—

अनेकार्थत्वमन्याय्यं तेनैकाधिकरण्यतः ।
करोतिना तिङन्तेयु भावभेदोऽनुमीयते ॥ (इति) ॥

अयमर्थः—पचत्यादिपदेषु भावनाभेदोऽभिधेयोऽनुमीयते। कुतो हेतोः? ऐकाधिकरण्यतः—करोतिना तिङन्तानां पचत्यादीनां 'किं करोति—पचति' इत्येवंरूपात्। ननु धात्वर्थसामान्यवचनत्वात्करोतेः तत्सामानाधिकरण्यात्पचत्यादीनां न भावनाविशेषार्थत्वमनुमातुं शक्यते इत्याशङ्कानिराकरणायोक्तं—अनेकार्थत्वमन्याय्यम्—इति। एकस्य शब्दस्यानेकार्थत्वं न न्याय्यम्। अस्य च करोतेः क्वचिच्च प्रयोगे [4]भावनार्थत्वं निश्चितम्। अतः सामानाधिकरण्येऽपि प्रयोगे तादर्थ्यमेव ग्राह्यम्, अन्यथा अनेकार्थत्वस्यान्याय्यस्य प्रसङ्गादिति श्लोकस्यार्थः।

ननु अनिश्चितस्वरूपाया भावनायाः कथं शब्दार्थत्वं साध्यते? नह्यप्रसिद्धे धर्मिणि धर्मश्चिन्तामर्हति। अथोच्येत स्वरूपसद्भाव एवेह साध्यत इति, तदसत्; स्वरूपसद्भावहेतोरिहानुपन्यासात्, उपन्यस्तस्य चाहेतुत्वात्। नहि करोतिसामानाधिकरण्यं भावनास्वरूपेण व्याप्तं दृष्टम्, येन तत्साधकं स्यात्। अथ मतं [5]घटं करोतीत्येवमादौ प्रयोगे धात्वर्थ-

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१. 'अत्र' नास्ति—**क.**
२. भावाभेदो—**ग, घ.**
३. 'सिद्धान्त आरभ्यते' इत्यधिकं वर्तते—**च.**
४. भावनात्वं—**च.**
५. घटः—**च.**

सामान्यव्यतिरिक्तेन केनचिदर्थेन भवितव्यम्, स भावनेत्यनेन प्रकारेण भावनास्वरूपमपि प्रसाध्य ततः करोतिसामानाधिकरण्यात् तिङन्तानामपि भावनार्थत्वं साध्यत इति। एतदप्यसारम्, यतः प्रमाणान्तरेणावगतेऽर्थे शब्दः प्रयुज्यते, न शब्दप्रयोगादेव तत्स्वरूपसिद्धिः। अतः प्रमाणान्तरमन्तरेण करोतिशब्दव्यवहारमात्रेण तदर्थतया भावना न [१]सिध्यति। व्यवहारमूलत्वेन तद्गोचरे प्रमाणान्तरं [२]कल्प्यते इति चेत्—मैवम्। तत्प्रमाणान्तरं कल्प्यमानं विशेषतो निरूप्यते वा? न वा? न चेत्, असदेव स्यात्। निरूप्यते चेत्, तदेव वाच्यम्। न चोच्यते। तस्मात् किमत्र क्रियते इति न ज्ञायते। अत्रोच्यते। भावनास्वरूपसद्भावं वक्ष्यमाणेन न्यायेनाङ्गीकृत्य करोतेर्धात्वर्थसामान्यार्थतानिरासेन भावनार्थत्वमुपपाद्य पुनस्तत्सामानाधिकरण्यात्पचत्यादीनामपि भावनाविशेषवचनत्वं साध्यत इति।

नन्वेवन्तर्हि स्वरूपसद्भावप्रतिपादनमेव प्रथममस्तु, पश्चाच्छब्दार्थताप्रतिपादनम्। न। प्राधान्यात्। आख्यातप्रत्ययाभिधेयता हि भावनायाः प्राधान्येनास्मिन्प्रकरणे विवक्षिता, तच्छेषतया तु स्वरूपसद्भावः। नहि सा सत्तामात्रेण फलवती, किन्त्वाख्यातप्रत्ययेनाभिहिता स्वर्गादिसाध्यत्वसिद्धिहेतुतया। स चायमभिप्रायः स्वयमेवाचार्येण विवरिष्यते—' तदेवं भावनार्थत्वादाख्यातप्रत्ययस्य ' इत्यादौ। तस्माद्भावनायाः शब्दार्थ(त्वमस्मिन्) प्रकरणे प्रतिपाद्यते, पश्चात्स्वरूपसद्भाव इति सर्वमुपपन्नम्॥

ननूपरिष्टादपि भावनायाः प्रत्ययार्थत्वेऽपि हेतुर्वक्ष्यते न केवले सद्भावे। सत्यम्, उभयोरपि सद्भावशब्दार्थत्वयोर्वक्तव्ययोः प्रथमं शब्दार्थतानिरूपणेन सिद्धान्तोपक्रमस्यायमभिप्रायो वर्णित इत्यदोषः।

इदानीं श्लोकस्यार्थमाविष्कर्तुकाम आह—[३]घटं करोतीत्यत्र तावज्ज[४]ननोत्पादनादि-

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१. सिद्ध्यतीति—**च.**

२. 'कल्प्यते' इत्यारभ्य 'तत्प्रमाणान्तरम्' इत्यन्तो ग्रन्थो नास्ति 'च' मातृकायाम्।

३. 'किं' अधिकं वर्तते—**च** मातृकायाम्.

४. नोत्पादश्रुति—**च.**

घटं करोतीत्यत्र [1]तावज्जननोत्पादनादिश्रुतिविषयां भावनां करोतिराचष्टे। स च पचत्यादिसमानाधिकरणोऽपि नान्यत्र वर्तितुमर्हति। अनेकार्थत्वे[2]ऽप्यनैकान्तिकत्वात् ततोऽभिधेय[3]निश्चया-

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श्रुतिविषयां भावनां करोतिराचष्टे इति। अयमर्थः—घटं करोतीत्येवंजातीयके प्रयोगे तावत्करोतेर्भावनार्थ[4]त्वमवश्याभ्युपगन्तव्यम्। आस्तामन्यत्र। तत्र हेत्वपेक्षायामुक्तम्—जननोत्पादनादिश्रुतिविषयामिति। हेतुगर्भं विशेषणम्। जननोत्पादनादयः शब्दाः भवितुः प्रयोजकव्यापारवचनतया भावनावचनाः समधिगताः भावनाशब्दवत्। तैश्च समानार्थः करोतिः प्रयुज्यमानो दृश्यते, घटं करोति घटमुत्पादयतीत्येकार्थताप्रतीतेः। यदि पुनः घटं करोतीत्यत्रापि करोतिर्भावनां विहाय धात्वर्थमा(त्रमा)चक्षीत तदा तदर्थस्य घटेन साध्यतयोपात्तेनान्वयो न घटेत, धात्वर्थसामान्यस्य साध्यानपेक्षत्वात्, विशेषापेक्षत्वात्, घटस्य च तद्विशेषत्वाभावात् साध्यतया भेदनिर्देशाच्च तद्विषय(शेष)तयाप्यन्वयायोगात्। यदा पुनर्भावना तत्र करोतेरर्थः स्यात् तदा तस्या भाव्यापेक्षणीत्वस्वाभाव्येन घटेन सम्बन्धो घटनामुपैति 'घटं करोति' इति। अतो यद्यपि पचत्यादिसमानाधिकरणप्रयोगे करोतेर्धात्वर्थसामान्यार्थत्वेऽपि न कश्चिद्विरोधः, 'घटं करोति' इत्यादौ त्ववश्यं भावनार्थत्वमभ्युपगन्तव्यमिति। अस्तु तर्हि तत्र करोतिर्भावनावचनः, पचत्यादिसमानाधिकरणस्तु धात्वर्थसामान्यवचनः स्यात् इत्याशङ्क्याह—स च पचत्यादिसमानाधिकरणोऽपि नान्यत्र वर्तितुमर्हतीति। स च करोतिर्भावनायां दृष्टप्रयोगः पचत्यादिसमानाधिकरणतया प्रयुज्यमानोऽपि नान्यत्र भावनाया वर्तितुमर्हति किन्तु भावनायामेवेति। तत्र हेतुमाह—अनेकार्थत्वे[5]ऽप्यनैकान्तिकत्वात्ततोऽभिधेयनिश्चयायोगादप्यव्यवहारापत्तेरिति। यदि च पचत्यादिसमानाधिकरणः

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१. तावद्धटोत्पादनादि—**क, ख.**

२. त्वेऽनैका—**क**; त्वे त्वनैका—**ग**; त्वे ह्यनैका—**ङ.**

३. निश्चयायोगादव्यव—**क, ख, ग**; निश्चयायोगांतदव्यव—**घ.**

४. त्वमश्यमवश्या—**च.**

५. 'त्वेऽपीति।' अनैकान्तिकत्वाचतो—**च.**

योगादप्यव्यवहारापत्तेः। [१]परिगतसामर्थ्यानुसारेण च प्रयोगोपपत्तौ सामर्थ्यान्तरपरिकल्पनायोगात्, प्रतीतबाधादप्रतीतकल्प-

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करोतिर्न भावनायाम्, अनेकार्थत्वं हि तदा अस्य स्यात्। एकार्थं प्रति नियमाभावात् [२]ततः शब्दात् [३]अर्थविशेषनिश्चयानुपपत्तेः शब्दनिबन्धनो व्यवहारो न स्यात्।

नन्वक्षादिशब्दानामनेकार्थानामपि सतां प्रकरणादिवशादर्थविशेषनिश्चयहेतुत्वेन व्यवहाराङ्गत्वं दृश्यते। तत्र किमिदमुच्यते अनेकार्थत्वमन्याय्यमि(ति इ)त्याशङ्क्याह— परिगतसामर्थ्यानुसारेण च प्रयोगोपपत्तौ सामर्थ्यान्तरपरिकल्पनायोगादिति। यस्याक्षादेः शब्दस्यैकयैव शक्त्या प्रयोगोपपत्तिर्नास्ति तस्य शक्तिभेदकल्पनया[४] अनेकार्थत्वमपीष्यत एव। यस्य पुनश्शब्दस्य क्वचित्परिगतेनैव सामर्थ्येनान्यत्रापि प्रयोगोपपत्तिः तस्य न सामर्थ्यान्तरं कल्पयितुं शक्यते, प्रमाणाभावात्। कार्यानुपपत्तिः सामर्थ्यकल्पनाया बीजम्। सा चान्यथाप्युपपत्तौ[५] सत्यां नास्तीति। न केवलं प्रमाणाभावादेव सामर्थ्यान्तरपरिकल्पनायोगः, किन्तु प्रमाणविरोधादपीत्याह—प्रतीतबाधादप्रतीतकल्पनाच्चेति। सामर्थ्यान्तरपरिकल्पने हि पूर्वप्रतीतं सामर्थ्यं बाध्येत, अप्रतीतं चान्यत्कल्प्येत। अर्थविशेषनियतं सामर्थ्यं शब्दस्य पूर्वं प्रतीतं अस्य शब्दस्यायमेवार्थ इति। तस्य चैवं सति बाधः [६]कियानपि भवेदेव।

ननु कथं प्रतीतबाधः? यावता प्रयोगान्तरे प्रतीतमेकं सामर्थ्यं (अपरित्यज्यैव) प्रयोगान्तरे चार्थान्तरे सामर्थ्यान्तरं कल्प्यते। अतो यत्र सामर्थ्यान्तरं कल्प्यते न तत्र प्राचीन-

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१. अवगतसामर्थ्या—**ग, घ**; परिगृहीतसामर्थ्या—**ङ.**

२. 'क्वचिद्भावनार्थत्वं क्वचिदन्यार्थत्वमित्यनेकार्थत्वे च सति अनैकान्तिकत्वात् एकार्थं प्रति नियमाभावात्' इति अधिकं वर्तते—**छ.** मातृकायाम्।

३. अर्थविशेषानुपपत्तेः—**छ.**

४. कल्पनाया—**च.**

५. अन्यथानुपपत्तौ—**च.**

६. क्रिया न विभवेदेव—च.

नाच्च[1], प्रयोगान्तरेऽपि प्रयोगान्तरनिर्ज्ञातस्यैव प्रत्ययात् । किं करोतीति [2]चोत्पादनाया एवाधिगमात् । एवं भावनाभिधानेन करोतिना समानाधिकरणतया आख्यातपदानां तद्विशेषाभिधायित्वमनुमीयते ।

प्रयोगावगतसामर्थ्यप्रतीतिरिति न प्रतीति(त)बाध इत्याशङ्क्याह—प्रयोगान्तरेऽपि प्रयोगान्तरनिर्ज्ञातस्यैव प्रत्ययादिति । क्वचित्प्रयोगे योऽर्थो निर्ज्ञातो यस्य गवादेश्शब्दस्य, तस्य स एव प्रयोगान्तरेऽपि सास्नादिमदादिरूपः प्रतीयते । अतः प्रयोगभेदेऽपि प्रयुज्यमानस्य शब्दस्यार्थप्रत्यभिज्ञानात् सामर्थ्यान्तरपरिकल्पने प्रतीति(त)बाधः स्यादेव । अतः यत्रैकेन सामर्थ्येनोपपत्तिर्नास्त्यक्षादिशब्दे तत्र गत्यन्तराभावात् सामर्थ्यभेदेनानेकार्थत्वमपि गृह्यताम् । यत्र त्वनुपपत्तिर्नास्ति, प्रत्यभिज्ञायते च प्रयोगान्तरे प्रयोगान्तरावगतोऽर्थो गवादिशब्दे सास्नादिमदाकृतिमत्स्वनेकेषु विशेषेषु बहुशः प्रयुज्यमानेऽपि, न तत्र सामर्थ्यान्तरपरिकल्पनावकाश इति ।

अस्तु तर्हि प्रयोगभेदेऽपि प्रत्यभिज्ञायमानार्थानामेकार्थत्वम्, करोतिस्तु न तथेत्याशङ्क्याह—किं [3]करोतीति चोत्पादनाया एवाधिगमादिति । घटं करोतीत्यत्र करोतेर्योऽर्थोऽधिगतः उत्पादनालक्षणः स एव 'किं करोति—पचति' इति पचत्यादिसमानाधिकरणस्यापि प्रतीयते, नान्य इति भावनार्थ एव करोतिः । ततश्च तत्सामानाधिकरण्यात्पचत्यादीनामपि भावनाविशेषार्थत्वमनुमीयत इति ।

यदुक्तं पूर्वपक्षे प्रत्ययस्य भावनाविशेषाभिधायित्वानुमानपक्षे दूषणम् 'एकत्वाल्लकारात्मनः प्रत्ययस्यानेकेषु विशेषेषु वृत्तिर्नोपपद्यते' इति, तदनूद्य परिहरति—यद्यपि प्रत्ययोऽभेदान्न[4]

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१. 'च' नास्ति—घ.
२. 'इति' नास्ति—ख.
३. करोति च—च.
४. नापि—च.

यद्यपि प्रत्ययोऽभेदान्न [1]विशेषावगमायालम्, पदन्तु [2]प्रकृतिभेदभिन्नं प्रकृत्यर्थानुरक्तप्रत्ययार्थप्रधानम्। प्रत्ययोऽपि पौर्वापर्यनियमात्[3] पदवन्न स्वतन्त्रः सामान्यमात्रे [4]धियमादधाति, अपि तु

विशेषावगमायालम्, पदन्तु प्रकृतिभेदभिन्नं प्रकृत्यर्थानुरक्त[5]प्रत्ययार्थप्रधानमिति। यद्यपि प्रत्यय एकत्वान्न भावनाविशेषावगमाय समर्थः, पदन्तु प्रकृतिप्रत्ययात्मकं समर्थम्, यतस्तत्प्रकृतिभेदाद्भिन्नम्। भिद्यन्ते हि प्रकृत्यंशाः पचत्यादौ प्रत्ययाभेदेऽपि। अतः प्रकृत्यंशभेदात्प्रकृतिप्रत्ययसमुदायरूपं पदं भिद्यते। ततश्च वाचकनानात्वाद्वाच्यनानात्वमविरुद्धम्।

ननु प्रकृतिप्रत्ययव्यतिरेकेण किमन्यत्पदं नाम? यस्य प्रकृत्यंशभेदाद्भेदोवि(ऽभि)धीयते। तत्समुदाय इति चेत्—न; [6]तस्यावाचकत्वात्, प्रकृतिप्रत्ययांशयोः पृथगेव [7]ह्यर्थवत्ता सत्यपि सहप्रयोगनियमे। किञ्च केवलस्य प्रत्ययस्यार्थो भावनेति भावनावादिनोऽभ्युपगमः। तेन चेदं विरुध्यते प्रकृतिप्रत्ययसमुदायरूपस्य पदस्य भावनाविशेषार्थत्वाभिधानम्। अत्रोच्यते—वैयाकरणोऽत्र पूर्वपक्षवादी। तस्य मतमङ्गीकृत्येदमुच्यते। तस्य मतं हीदम्—न प्रकृतिप्रत्यययोः पदार्थभेदः परमार्थतोऽस्ति, अपोद्धारकल्पितेन भेदेनायं भेदव्यवहारः—अयं[8] प्रकृत्यर्थः, अयं प्रत्ययार्थ इति। अतः प्रकृतिभेदाद्भिद्यमानं पदं प्रकृत्यर्थविशेषितप्रत्ययार्थप्रधानत्वाद्भावनाविशेषे वर्तत इति।

एवं वैयाकरणमतानुसारेण परिहारमुक्त्वा इदानीं स्वमतानुसारेण परिहारमाह—प्रत्ययोऽपि पौर्वापर्यनियमात्पदवन्न स्वतन्त्रः सामान्यमात्रे धियमादधाति, (अपि तु) प्रकृत्यपेक्षया

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१. विशेषायालं—क. ख, ङ.
२. प्रकृतिभेदाद्भिन्नप्रकृत्यर्था—ग, घ, ङ.
३. नियमान्न—क, ख, ग, घ, ङ.
४. धियमाविर्भावयति—क, ख.
५. प्रत्ययार्थः—छ.
६. तस्य वाच—च.
७. ह्यर्थवार्ता—च.
८. प्रकृत्यर्थभेदः अयं—च.

[1]प्रकृत्यपेक्षया आचक्षाणः स्वार्थमेव समर्पयति। सर्वथा [2]तावत्पदं

आचक्षाणः स्वार्थमेव समर्पयतीति । यद्यपि प्रत्ययस्यैकत्वादेकस्मिन्नेव भावनासामान्ये शक्तिर्गृह्यते, न तद्विशेषेषु अनेकेषु, तथापि नासौ सामान्यमात्रे बुद्धिमुत्पादयति, किन्तु प्रकृत्यर्थानुरागलब्धे विशेषे। कुतः? पौर्वापर्यनियमात्। नियतं हि पौर्वापर्यं प्रकृति-प्रत्यययोः, पूर्वैव प्रकृतिः प्रयुज्यते, पर एव प्रत्यय इति। स चायं पौर्वापर्यनियमः अन्यथा नोपपद्यते, यदि प्रत्ययः स्वतन्त्रः सामान्यमात्रे धियमादधीत पदवत्; यथाहि पदं [3]गवादिकं 'गामानय' 'आनय गाम्' इत्येवं अनियतपौर्वापर्यं प्रयुज्यमानं गोत्वादिसामान्यमात्रे बुद्धिमुत्पादयति, पश्चाच्चाकांक्षासन्निधियोग्यतानुगृहीतपदार्थद्वारकवाक्यार्थावगतिपर्यन्ततां प्रतिपद्यते, न तथा प्रत्ययस्सामान्यमात्रे धियं जनयति; पौर्वापर्यनियमात्; अपि तु नियमेन प्रकृतिं पूर्वोच्चरितामपेक्ष्य स्वार्थं भावनासामान्यमाचक्षाणः प्रकृत्यर्थोपरागलब्ध-विशेषनिष्ठतया बुद्धौ निवेशयति ॥

नन्विदं विरुद्धमिव प्रतीयते, प्रत्ययस्य भावनासामान्ये शक्तिर्गृह्यते, बुद्ध्युत्पादकत्वन्तु विशेषे (इति)। यत्र हि शक्तिर्गृह्यते तत्रैव बुद्धिजनकत्वमिति। अत्रोच्यते—न तावद्विशेषेषु शक्तिर्ग्रहीतुं शक्यते, तेषामानन्त्यात् व्यभिचाराच्च। अन्वयव्यतिरेकाभ्यां तु[4] सामान्यमात्राभिधानसामर्थ्यं[5] निष्कृष्यावगन्तुं शक्यते। तस्मात्सामान्यमेवाभिधेयम्। कथं तर्हि नियमेन विशेषे बुद्ध्युत्पत्तिः? पौर्वापर्यनियमादित्युक्तम्—शक्तिप्रतियोगिकेवल-सामान्यप्रतिपत्तिहेतुषु[6] गवादिपदेष्वपरिदृश्यमाना(त्) प्रकृतिप्रत्यययोः[7]। दृश्यमानात् पौर्वापर्यनियमात् प्रत्ययार्थस्य प्रकृत्यर्थान्वयमन्तरेण प्रतिपादनायोग्यता गम्यत इति। तस्मादविरोधः।

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१. प्रकृत्यर्थापेक्षमाचक्षाणः स्वार्थविशेष्यमेव प्रत्याययति—क, ख; प्रकृत्यर्थापेक्षया विलक्षणः स्वार्थविशेषमेव समर्पयति—ग, ङ. प्रकृत्यर्थापेक्षयाचक्षाणः स्वार्थविशेषमेव समर्पयति—घ.

२. पदं तावत्—क, ग.

३. गवयादिकं—च.

४. व्यतिरेकात्तु—छ.

५. अभिधानमात्रं—छ.

६. गवादिषु—छ.

७. दृश्यमानत्वात्—च.

विशेषे वर्तते । [1]तेन तावत्स्वतो भेदवत्या [2]अपि [3]धात्वर्थोपधान-व्यज्यमानस्फुटविशेषायास्तत्र [4]विशेषाभिधानमविरुद्धम् ।

सर्वथा तावत्पदं विशेषे वर्तते इति । अस्यायमर्थः—यदि वैयाकरणप्रक्रिया, यदि वा मीमांसकप्रक्रिया, सर्वथा तावत्पदं भावनाया विशेषे वर्तत इति । स्वतो भेदवत्या अपि, धात्वर्थोपधानव्यज्यमानस्फुटविशेषाया इति द्वे विशेषणे भावनायाः । स्वतो भेदवत्या अपीत्यनेनेयमाशङ्का [5]व्यावर्त्यते—यदि स्वतो भेदो भावनायाः स्यात्, धात्वर्थोपधानानपेक्षया सा स्वत एव व्यावृत्ताकारा शब्देन प्रतिपाद्यते (द्येत) । अथ धात्वर्थोपधानोपरागमन्तरेण न प्रतिपाद(नार्हा) विशेषतः, तर्हि न स्वतो भेदवतीति । एषा शङ्का अपनीयते—स्वतो भेदवत्येव भावना, न पुनराकाशवत्स्वत एकरूपा सती परोपाधिकृतभेदाद्भेदेन विभाव्यत इति, तथात्वे प्रमाणाभावात्क्रिया(त्व)व्याघातप्रसङ्गाच्च । सा खलु भावना क्रिया । क्रिया च कारकसाध्यस्वभावा । सा च सर्वत्रैकरूपा अभ्युपगम्यमाना नित्या अभ्युपगता स्यात् । ततश्च क्रियारूपतां जह्यात् । अथ मतं स्वतो नित्याया अपि भावनाया उपधानोपरागनिबन्धनं साध्यत्वम्, यथा आकाशस्य घटाद्युपाधिनिबन्धनं जन्मनाशादि, तद्वदिति । एवन्तर्हि स्वतः साध्यस्वभावेनोपाधिना अन्येन भवितव्यम्, यदुपरागाद्भावना साध्या अवगम्येत । नच सोऽस्ति । अस्ति चेत्तस्यैव क्रियात्वं भावनात्वं च स्यात् । तस्मात्स्वत एव भेदवती भावनेति । एवन्तर्हि[6] विशेषाकारेणोपाध्यनपेक्षया शब्दैः प्रतिपाद्येतेत्याशङ्कापाकरणार्थं[7] धात्वर्थोपधानव्यज्यमानस्फुटविशेषाया इति विशेषणम् । धात्वर्थ एवोपधानं धात्वर्थोपधानम्, उपधानमुपाधिः, तेन धात्वर्थोपधानेन व्यज्यमानः स्फुटो भवति [8]यस्या विशेषः—सेयं धात्वर्थोपधानव्यज्यमानस्फुटविशेषा भावना, तस्या विशेषे पदं वर्तते इति सम्बन्धः । कथन्तर्हि स्वतो

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१. 'तेन तावत्'—नास्ति-**क, ख**;
२. 'अपि' नास्ति—**ग, घ.** तेन स्वतोऽभेदवत्या अपि—**ङ.**
३. धात्वर्थोपमान—**ख.**
४. विशेषाभिधानानुमान—**ग, घ. ङ.**
५. व्यावर्तते—**छ.**
६. 'तर्हि' इत्यतः परं 'स्वत एव' अधिकं वर्तते—**छ.**
७. वारणार्थं—**छ.**
८. यस्य—**च.**

ननु प्रत्ययस्य सामान्यमभिधेयमिष्टम्, [1]तत्कथमुभयोस्सामान्याभिधायिनोरैकाधिकरण्यम्[2] ?

विद्यमानो भेदोऽभिव्यक्तावुपधानमपेक्षते? का अत्रानुपपत्तिः। दृश्यन्ते हि स्वतो भिन्ना अपि क्षीरादिरसाः क्षीरादिभिराश्रयविशेषैर्भेदेन व्यपदिश्यमानाः, क्षीररसो गुडरस इत्यादि।

ननु तत्र यद्यपि भेदव्यपदेश उपाधिपरामर्शापेक्षः, तथापि स्वत एव भेदोऽवगम्यते प्रत्यक्षेण क्षीरादिरसानाम्। सत्यम्; तत्तु भावनायामपि समानम्। कथम्? सापि हि भावना प्रत्यक्षेणावगम्यत इति वक्ष्यते। [3]तथा च परिस्पन्दादिलक्षणायां भावनायां प्रवर्तमानं प्रत्यक्षं तत्साध्यानागतसंयोगविभागादिधात्वर्थोपाधिपरामर्शविकलमेव भावनाविशेषाकारग्राहीति ग्राह्यम्[4], अवर्तमानस्य प्रत्यक्षविषयानुप्रवेशानुपपत्तेः। तस्मात्स्वत एव भेदवती भावना धात्वर्थोपाधिव्यज्यमानविशेषाकारा शब्देन प्रतिपाद्यत इत्यलमतिप्रपञ्चेन॥

तत्र विशेषाभिधानमविरुद्धमित्यस्यायमर्थः—यस्मात्पदं विशेषे वर्तते ततः किं करोतीति प्रश्नप्रतिवचने पचतीत्यत्र भावनाविशेषाभिधानं न विरुध्यत इति। तत्र चोदयति—ननु प्रत्ययस्य सामान्यमभिधेयमिष्टम्, तत्कथमुभयोः सामान्याभिधायिनोरैकाधिकरण्यमिति। अयमर्थः—आख्यातप्रत्ययस्य सामान्यमभिधेयमिष्टं करोतेरिव, तत्र कथमुभयोः करोतिप्रत्यययोस्सामान्यवाचिनोस्सामानाधिकरण्यमिति। ननु पूर्वग्रन्थे सामान्यवाचिनोऽपि प्रत्ययस्य प्रकृत्यपेक्षया विशेषवृत्तिः निरूपिता। तत्र कथमस्य चोद्यस्यावकाशः? उच्यते—यद्यपि प्रकृतिसमभिव्याहारात्प्रत्ययस्य [5]विशेषे वृत्तिर्निरूपिता, तथापि सामान्यमेवाभिधेयमिष्टम्, न विशेषः। अभिधेयद्वारकञ्च सामानाधिकरण्यं सति सम्भवे ग्रहीतुं युक्तम्। तच्च न सम्भवति। करोतेराख्यातप्रत्ययस्य च भावनासामान्यमात्राभिधायित्वाभ्युपगमात्। अन्यूनानति-

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१. 'तत्' नास्ति—ख.
२. 'सामानाधिकरण्यम्'—ख.
३. ततश्च—छ.
४. गृहीतिग्राह्यम्—च.
५. विशेषवृत्तिः—च.

उच्यते—

भेदोपहितसामान्यवचनेऽप्यपृथक्श्रुतिः ।
को राजा याति? पाञ्चालराज इत्यभिवीक्ष्यते ॥ २८ ॥

रिक्तार्थयोश्च सामानाधिकरण्यायोगात्, करहस्तादिशब्दवत्। यदा तु पचतीत्यत्र प्रकृत्यंशेनोत्तरमुच्यते, करोतिश्च धात्वर्थसामान्यवचन इति पक्षः, तदोभयोः सामान्यविशेषाभिधायिनोः करोतिपचत्योरभिधेयद्वारकं सामानाधिकरण्यमविरुद्धम्। तस्मादेष एव पक्षो ग्राह्य इत्यभिप्रायः। तत्र परिहारमाह—

उच्यते—

भेदोपहितसामान्यवचनेऽप्यपृथक्श्रुति(:) ।
को राजा याति? पाञ्चालराज इत्यभिवीक्ष्यते ॥ इति ॥

अयमर्थः—सामान्याभिधायिनोश्शब्दयोः सामानाधिकरण्यं नोपपद्यत इति यदुक्तम्, तन्न सर्वत्र। यत्र द्वावपि शब्दौ केवलसामान्यवचनौ तरुवृक्षादिशब्दवत्, तत्र सामानाधिकरण्यानुपपत्तिः। यत्र द्वयोस्सामान्यवाचित्वाविशेषेऽप्येकं शुद्धं सामान्यस्वरूपमाचष्टे, अन्यस्तु केनचित् उपाधिना विशिष्टं प्रतिपादयति, तत्र सामानाधिकरण्यमुपपद्यते। दृश्यते हि 'को राजा याति' इति प्रश्नवाक्यवृत्तिना केवलराजसामान्यवाचिना राजशब्देन 'पाञ्चालराजः' इति [१]प्रतिवचनगतस्य राजशब्दस्य पाञ्चालाख्यजनपदविशिष्टराजसामान्यवचनस्य सामानाधिकरण्यम्। एवमत्रापि करोतिना शुद्धसामान्यवाचिना धात्वर्थोपाध्यवच्छिन्नभावनासामान्यवाचिनः प्रत्ययस्य सामानाधिकरण्यमविरुद्धमिति। अत्रैषा अक्षरयोजना। [२]भेदोप

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१. प्रतिवचनं न तस्य राज—**च.**

२. भेदोपहितं यत्सामान्यं तद्वचनेति वचनगते शब्दे अपृथक्श्रुति—**च.**

प्रश्नवर्तिना हि सामान्यशब्देन व्यवच्छिन्नसामान्यविषयाः श्रुतयः परिदृष्टसमानाधिकरणप्रयोगाः[१] ; को राजा याति? पाञ्चालराज इति यथा ।

युक्त एवोत्तरे सामान्यनिर्देशः ; अन्यथा प्रश्नगतं तदपेक्षणीयं

हितं केनचिदुपाधिभेदेनोपहितं यत्सामान्यं तद्वचने प्रतिवचनगते शब्दे अपृथक्श्रुतिः सामानाधिकरण्यमभिवीक्ष्यते । केन सामानाधिकरण्यमित्यपेक्षायां प्रश्नवाक्यगतेन केवलसामान्यवचनेन शब्देनेति द्रष्टव्यम् । अथवा भेदोपहितसामान्यशब्दाभ्यां वचनशब्दः प्रत्येकमभिसम्बध्यते—भेदोपहितवचने सामान्यवचने चेति । भेदोपहितं किमित्यपेक्षायां सामान्यमेव सन्निधानादवगम्यते । प्रश्नवचने सामान्यमात्राभिधाने प्रतिवचने चोपहितसामान्याभिधाने सति सामानाधिकरण्यमुपपद्यत इति । शेषं सुगमम् । एतद्विवृणोति—प्रश्नवर्तिना हि सामान्यशब्देन व्यवच्छिन्नसामान्यविषयाः श्रुतयः परिदृष्टसमानाधिकरणप्रयोगाः ; 'को राजा याति? पाञ्चालराजः' इति यथा इति । नात्र तिरोहितं किञ्चिदपि[२] ।

ननु तत्राप्युत्तरे विशेषनिर्देश एव [३]युक्तः, न सामान्यनिर्देशः, सामान्यस्यासिद्धत्वात् विशेषस्यैव पृष्टत्वात् कथ[४]मसिद्धमसिद्धेन साध्यत इत्याशङ्क्याह—युक्त एवोत्तरे सामान्यनिर्देशः, अन्यथा प्रश्नगतं तदपेक्षणीयं स्यादिति । यद्युत्तरे सामान्यनिर्देशो न क्रियते पाञ्चाल इत्येतावदेवोच्येत[५], तदा प्रश्नवाक्यगतं तत्सामान्यमपेक्षणीयं स्यात् । अन्यथा प्रश्नविषयराजसामान्यविशेषत्वं पाञ्चालजनपदसंबन्धिनो न सिद्ध्यति, तस्य राजव्यतिरिक्तस्यापि भावात् । प्रश्नगतसामान्यापेक्षायान्तु प्रष्टुः सुखप्रतिपत्तिर्न स्यात् इति । मा भूत्सुखप्रतिपत्तिः, प्रतिपत्तिस्तु कथञ्चिद्भवत्येव । दृश्यते चोत्तरे विशेषमात्रस्यैव निर्देशः 'को वृक्षः?

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१. सामानाधिकरण्यप्रयोगाः—**ख.**
२. किञ्चिदस्ति—**छ.**
३. युक्तं—**च.**
४. 'असिद्धं' नास्ति—**छ.**
५. उच्यते—**च.**

स्यात्[१], विशेषतस्तु भावनाया [२]असंविज्ञानपदभेदत्वात्परोपधान-व्यज्यमान[३]स्फुटविशेषायाः । तस्मान्न सिद्धसाधनम् , न [४]विपर्यय-साधनम् , [५]न दृष्टान्ताभावः ।

शिंशपा ' इत्यादौ । तत्रोत्तरे सामान्यनिर्देशो नियमेन [६]न कर्तव्य इत्याशङ्क्याह—विशेष(त)-स्तु भावनाया असंविज्ञानपदभेदत्वात्परोपधानव्यज्यमानस्फुटविशेषाया इति । अस्तु वा अन्यत्रोत्तरे विशेषमात्रस्यैव कदाचिन्निर्देशः, विशेषवाचिनश्शब्दस्य भावात् , भावनायास्त्व-संविज्ञानपदभेदत्वादुत्तरे विशेषनिर्देशः कदाचिदपि नोपपद्यते ।

ननु किमिदमसंविज्ञानपदभेदत्वं नाम ? उच्यते—सम्यक् विशेषाकारेण ज्ञायतेऽर्थो येन पदेन तत्संविज्ञानपदम् , तस्य भेदो विशेषः संविज्ञानपदभेदः, न स विद्यते यस्या भावनाया-स्सेयमसंविज्ञानपदभेदा[७], तद्भावोऽसंविज्ञानपदभेदत्वम् । न कश्चिदपि शब्दो भावनाविशे-षेण[८] गृहीतसम्बन्धोऽस्तीत्यर्थः । तस्मादुत्तरे नियमेन सामान्यनिर्देशो युक्तः । [९]असंविज्ञान-पदभेदाया भावनायाः कथं विशेषसिद्धिरित्याकाङ्क्षायामुक्तम्—परोपधानव्यज्यमानस्फुट-विशेषाया इति । परेण धात्वर्थेनोपधानेन व्यज्यमानः [स न] स्फुटो भवति यस्या विशेषः, सेयं परोपधानव्यज्यमानस्फुटविशेषा भावना, तस्याः सामान्यनिर्देश एवोत्तरे युक्त इत्यर्थः । एवं च सति सामानाधिकरण्यादित्यादिना पूर्वपक्षे ये दोषा उक्ताः ते परिहृता भवन्तीत्याह—तस्मान्न सिद्धसाधनम्, न विपर्ययसाधनम् , न दृष्टान्ताभाव इति ॥ करोतिसामानाधिकरण्येन पचत्यादीनां करोत्यर्थविशेषाभिधानानुमानपक्षे धातूनामेव विशेषाभिधानसम्भवप्रतिपादनमुखेन

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१. गतस्तदपेक्षणीयः स्यात्—**क, ख**.
२. असंविज्ञात—**ग, घ, ङ**.
३. ' स्फुट ' नास्ति—**ग, घ, ङ**.
४. विपर्ययासाधनं—**घ**.
५. नादृष्टान्तता—**क, ख** ; नाप्यदृष्टान्तता—**ग, घ, ङ**.
६. ' न ' नास्ति—**छ**.
७. पदभेदानुवदभेदा तद्भावः—**च**. पदभेदः तद्भावः संविज्ञानपदभेदत्वं—**छ**.
८. विशेषण—**च**.
९. असंभेदाया भावनायाः—**च**.

भावाभावे प्रयोगस्तु द्विधापि न [1]निरीक्ष्यते ।
अन्ततस्सोऽस्ति[2] धात्वर्थगोचरो लक्ष्यते तथा ॥ २९ ॥

सिद्धसाधनमुक्तं न प्राप्नोति, प्रत्ययस्यैवैकस्याप्यनेकेषु विशेषेषु प्रकृत्यर्थान्वयाधीनाविर्भावेषु तदपेक्षया वृत्तिसम्भवस्योक्तत्वात् । विपर्ययसाधनदृष्टान्ताभावौ तु करोत्यर्थमात्राभिधानानुमानपक्षानाश्रयणादेव परिहृतौ, तयोस्तत्पक्षाश्रयत्वात् ॥

यत्पुनरुक्तं करोतेरपि तावद्भाववचनत्वमनुपपन्नम्, तदभावेऽपि प्रयोगदर्शनात्, कुतस्तत्सामानाधिकरण्यात्पचत्यादीनां तादर्थ्यानुमानमिति ।

तस्योत्तरमाह—

भावाभावे प्रयोगस्तु द्विधापि न निरीक्ष्यते ।
अन्ततस्सोऽस्ति धात्वर्थगोचरो लक्ष्यते तथा ॥ इति ॥

अयमर्थः—योऽयं भाव्याभावेन भावनावाचिशब्दाभावेन च द्विविधो भावनाया अभावः, तत्र करोतेः प्रयोगो निरीक्ष्यत इति यदुक्तम्, तन्नास्ति ; तत्रापि भावनाया भावात्[3]। कथम्? घण्टा ध्वनतीत्यत्र तावद्भावना भवत्येव, भाव्यस्य भावात् । भाव्याभावेन हि तत्र भावनाया अभाव उच्यते । भाव्यस्य चाभावोऽसिद्धः । कस्तर्हि तत्र भाव्यः? धात्वर्थ एवान्ततो भाव्यः, सुखादीनां सतामप्यविवक्षितत्वात् । नच 'का क्रिया? पाकः' इत्यत्रापि भावना नास्ति । भावनाया वाचकत्वाभिमताख्यातप्रत्ययाभावेन हि तत्राभाव उच्यते, स्वरूपेण विद्यमानाया अपि शब्दार्थरूपेणाभावात् । तत्र यद्यपि आख्यातप्रत्ययो नास्ति, तथापि भावना शब्दार्थत्वं न जहाति, यतोऽत्र पाक इत्यस्यैव शब्दस्यासावर्थः। यद्यपि पाक इति घञन्तेन धात्वर्थवचनेन[4] नाभिधीयते भावना, तथापि लक्षणया प्रतिपाद्यते, अभिधेयस्य

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१. निरीक्षितः—**ख, ग, घ, ङ.**
२. सोऽपि—**ग, घ, ङ.**
३. अभावात्—**च.**
४. 'न' नास्ति—**छ.**

घण्टा ध्वनतीति[१] भाव्याभावेन भावनाया अभाव उच्यते । [२]सर्वश्च धात्वर्थः किञ्चिदसदुत्पादयति । ध्वननमपि सुखं [३]दुःखं ज्ञानं वा । अन्ततो[४] धात्वर्थ एव भाव्यः । नहि सर्वत्र धात्वर्थस्य [५]करणतैव, कर्मतापि तु [६]क्वचित्तन्मात्रनिर्वृत्तिविवक्षायाम् । का

पाकस्य भावनाया विना अभावात् । तदेतदुक्तम्—लक्ष्यते तथेति । एतत्प्रपञ्चयति—घण्टा ध्वनतीति भाव्याभावेन भावनाया अभाव उच्यते । सर्वश्च धात्वर्थः किञ्चिदसदुत्पादयति । ध्वननमपि सुखं दुःखं[७] ज्ञानं वा । अन्ततो धात्वर्थ एव भाव्य इति ॥ अयमर्थः—ध्वनतीत्यत्र धात्वर्थ एव भाव्यः परिशिष्यते । सुखदुःखज्ञानानामस्मिन्प्रयोगेऽविवक्षितत्वात्तद्भाव्या भावना[८] विद्यमानापीह न[९] शब्दार्थीभवितुमर्हतीति धात्वर्थभाव्यैव भावना ध्वनतीत्यत्र प्रत्ययेनाभिधीयते । ततश्च तत्सामानाधिकरण्यस्य[१०] 'किं करोति घण्टा' इति प्रश्नवाक्यवर्तिनः करोतेर्न भावनाया अभावे प्रयोग इति ॥

ननु धात्वर्थस्य भावनायां करणत्वमभ्युपगम्यते; तत्र कथं कर्मत्वमित्याशङ्कयाह—नहि सर्वत्र धात्वर्थस्य करणतैव, कर्मतापि (तु) क्वचित्तन्मात्रनिर्वृत्तिविवक्षायामिति । अयमर्थः—न सर्वत्र धात्वर्थस्य करणतैव शब्देनाभिधीयते, किन्तु कर्मतापि क्वचित्, यत्र धात्वर्थनिर्वृत्तिमात्रं विवक्ष्यते—यथा 'अग्निहोत्रं जुहोति' इत्यादौ । तत्र कर्मतैव धात्वर्थस्य शब्देनाभिधीयते, न करणता । एतदुक्तं भवति—धात्वर्थस्य [११]भावनया निर्वर्त्य-

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१. ध्वनतीति हि भाव्या—**ग, घ**; भाव्याभावेन हि—**ङ.**
२. सर्वत्र—**क, ख**; सर्वस्तु—**ङ.**
३. दुःखज्ञानं वा—**ग, घ, ङ.**
४. अन्तरो—**क, ख.**
५. साधनतेव—**क, ख.**
६. क्वचिद्यावन्मात्र—**क, ख.**
७. 'वा' अधिकं वर्तते—**छ.**
८. तद्भाव्यभावना—**च.**
९. मानापि न शब्दार्थी—**च**; मानापीह शब्दार्थी—**छ.**
१०. किं करोति प्रश्नवाक्य—**छ.**
११. भावनाया—**च.**

क्रिया? पाकः इति [1]च, द्विविधत्वाच्छब्दार्थस्य श्रौतलक्ष्य[2]माण-भेदेन । [3]अतो नाभावो भावनायाः शब्दतः, तद्विशेष[4]लक्षणार्थ-त्वात्पाकशब्दस्य ।

मानत्वात्कर्मत्वं विद्यते फलापेक्षया करणत्वञ्च । तत्र तस्य अनयोः कर्मकरणत्वयोः यद्यदा विवक्ष्यते तत्तदा अभिधीयते । ध्वनतीत्यत्र तु धात्वर्थनिर्वृत्तिमात्रं विवक्षितम्, न तत्करणस्य फलान्तरस्य निर्वृत्तिर्विवक्षिता । अतो युक्तं धात्वर्थकर्मिकाया भावनाया अभिधानमिति ॥ नच सर्वा पुरुषार्थकर्मिकैव भावनेति नियमोऽस्ति, अचेतनकर्तृकायास्तस्याः स्वरूपापेक्षित-भाव्यमात्रपर्यवसानात् । चेतनकर्तृकापि न सर्वा पुरुषार्थकर्मिका, प्रमादकृतायां व्यभिचा-रात् । या तु चेतनस्य बुद्धिपूर्विका भावना [सा] नियमेन समुद्दिष्टपुरुषार्थभाव्यविशेषकर्मिका, सापि कदाचित्समुद्दिष्टमपि पुरुषार्थं भाव्यं [5]व्यभिचरति यथा—मिथ्याज्ञानपूर्विका प्रति-षिद्धहिंसादिविषया भावना । अतः सम्यक्ज्ञानपूर्विका पुरुषस्य प्रवृत्तिर्भावना नियमेन पुरुषार्थभाव्या, नान्येत्यलमतिप्रपञ्चेन ॥

इदानीं 'लक्ष्यते तथा' इति श्लोकैकदेशार्थाविष्करणायाह—का क्रिया? पाक इति च द्विविधत्वाच्छब्दार्थस्य श्रौतलक्ष्यमाणभेदेन । अतो नाभावो भावनायाश्शब्दतः, तद्विशेष-लक्षणार्थत्वात् पाकशब्दस्येति ॥ का क्रिया पाक इत्यत्रापि नाभावो भावनायाश्शब्दत इति व्यवहितेन सम्बन्धः । कथं शब्दतो नाभावो भावनायाः, यस्माद्भवता [6]तद्वाचकत्वाभिमतः शब्द आख्यातप्रत्यय इह नोपलभ्यते । पाकशब्द इह प्रयुज्यते । तस्य च भावना अर्थो न भवतीत्या[7]शङ्कापाकरणायोक्तम्—द्विविधत्वाच्छब्दार्थस्य श्रौतलक्ष्यमाणभेदेनेति । द्विविधो हि

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१. चेहापि द्विविध—ग, घ.
२. लक्ष्यभेदेन—ख, ग, घ; श्रौतभेदेन—ङ.
३. 'अतो' नास्ति—क, ख, ग, घ, ङ.
४. लक्षणाप्रधानत्वात्—क, ख; लक्षणा-प्रवणत्वात्—ग, घ, ङ.
५. व्यपदिशति—च.
६. तद्वाचकाभिमतः—झ.
७. आशङ्कावारणायोक्तम्—छ.

तिङन्तेऽपि तर्हि [१]लक्ष्यमाण एव भावोऽस्तु। नैतत्सारम्। यतः[२]—

कः पाकः[३]पचतीत्यत्र बुद्धिभेदमपह्नुते ।
न भावनापरामर्शमन्तरेण च[४] भाव्यता ॥ ३० ॥

शब्दस्यार्थः श्रौतो लक्ष्यमाणश्च। यत्र वृद्धव्यवहारेणाभिधानसामर्थ्यं गृह्यते, स श्रौतो नामार्थः। यत्र त्वभिधेयस्यार्थस्यासम्भवे सति तदविनाभावादन्यस्मिन्नर्थे शब्दात्प्रतिपत्तिर्भवति, स लक्ष्यमाणोऽर्थः। यद्यपि पाकशब्दस्य श्रौतोऽर्थो न भवति भावना, तथाऽपि लक्ष्यमाणोऽर्थो[५] भवत्येव। तत्कथमित्यस्यामाकाङ्क्षायामुक्तम्—पाकशब्दस्य तद्विशेषलक्षणाप्रधानत्वादिति॥ तद्विशेषो भावनाविशेषः तस्य लक्षणया प्रतिपादनपरत्वात्। पाकशब्दः स्वार्थाभिधानद्वारेण तदविनाभाविनं भावनाविशेषं लक्षयति। पाकशब्दस्यैव लक्षणया भावनाशब्दत्वान्न शब्दतोऽभावो भावनायाः। ततश्च का क्रियेति प्रश्नवाक्ये करोतेः प्रयोगो न भावनाया अभावे, किन्तु भाव एवेति सिद्धम्॥

एवं पाकशब्दस्य [६]करोतिना लक्षितार्थद्वारके सामानाधिकरण्येऽभ्युपगम्यमाने तिङन्तेऽपि करोतिसामानाधिकरण्येनाभिधेया भावना न सिद्ध्यति। अपि तु लक्ष्यमाणैव, घञन्तवदिति यदनिष्टापादनं कृतं पूर्वपक्षे, तदुद्धारणायोत्थापयति—तिङन्तेऽपि तर्हि लक्ष्यमाण एव भावोऽस्त्विति॥ तस्य परिहारमाह—

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१. लक्ष्य एव—**क, ख, ग, घ, ङ.**
२. 'यतः' नास्ति—**क, ख**; 'यतः सर्वत्र कः पाको बुद्धिभेदमपह्नुते न भावनापरामर्शमन्तरेण च भाक्तमेतत—**ग, घ, ङ.**
३. पाकं—**क, ख.**
४. 'च' नास्ति—**क.**
५. माणार्थो—**च.**
६. करोतिना पाकशब्दस्य—**च.**

इदं भवान् पृष्टो व्याचष्टाम्—पाकः पचती[1]त्यनयोर्धात्वर्थो भिद्यते, न[2]वा भिद्यते, इति । को हि स्फुटं प्रत्ययभेदमवजानीते[3]। तथाहि—तिङन्ते भाव्यः स गम्यते न तथाभूतो(रूपो) घञन्ते,

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नैतत्सारम् , यतः—

> कः [4]पाकः पचतीत्यत्र बुद्धिभेदमपह्नुते ।
> न भावनापरमर्शमन्तरेण च भाव्यता ॥ (इति) ॥

अयमर्थः—घञन्ते लक्ष्यते भावना, नाभिधीयते, तिङन्ते त्वभिधीयते इत्यत्र [5]विशेषहेतुरत्रोच्यते। कोऽसौ हेतुः? धात्वर्थविषयो बुद्धिभेदः सिद्धसाध्यत्वरूपः। स चायं बुद्धिभेदः न शक्यते नास्तीति वदितुम्, अतिस्फुटत्वात्। या च तिङन्ते प्रतीयमाना धात्वर्थस्य भाव्यता सा अभिधेयभावनासंस्पर्शमन्तरेण न सम्भवति। लक्ष्यमाणभावनासंस्पर्शस्य घञन्तेऽपि भावात् इत्यभिप्रायः ॥

इदानीं पक्षविभागेन श्लोकोक्तमर्थं व्याख्यातुकामः विकल्पयति—इदं भवान्पृष्टो व्याचष्टाम्—पाकः पचतीत्यनयोर्धात्वर्थो भिद्यते, न वा भिद्यत इति (इति)॥ न भिद्यत इत्येष तावत्पक्षोऽनुपपन्न इत्याह—को हि स्फुटं प्रत्ययभेदमवजानीते इति ॥ योऽपि तिङन्तेष्वभिधेयां भावनामवजानीते पूर्वपक्षवादी, सोऽपि घञन्ते तिङन्ते च धात्वर्थविषयं बुद्धिभेदं नावजानीते इत्यर्थः॥ बुद्धिभेदं दर्शयति—तथा हि—तिङन्ते भाव्यः स गम्यते न तथाभूतो (रूपो) घञन्त इति ॥ स धात्वर्थः तिङन्ते पदे भाव्यो गम्यते साध्यरूपेण प्रतीयते, घञन्ते

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१. पचतीत्यनयोर्भिद्यते धात्वर्थो नवा—**क, ख**. पचतीत्यत्र धात्वर्थो भिद्यते नवेति—**ग, घ, ङ**.

२. अवजानीते। अङ्गीकुर्मः प्रत्ययभेदम्, पचतीति भाव्यः स गम्यते न तथा घञन्ते—**क, ख**.

३. 'घञः' नास्ति—**च**.

४. पाकं—**च**.

५. 'विशेष'—नास्ति—**च**.

भावे तद्विधानात्, शुद्धस्य च धात्वर्थस्य तत्त्वव्याख्यानात्— 'धात्वर्थः केवलः शुद्धो भाव इत्यभिधीयते' इति॥

तत्तर्हि भाव्यत्वं [1]भावनासंस्पर्शकृतमिति तिङन्तानां [2]सा

तु पदे न तथारूपो भाव्यरूपो गम्यते, किन्तु सिद्धरूप एवेति। तत्र हेतुमाह—भावे तद्विधानादिति। तस्य घञो भावे विधानादित्यर्थः। भवतु भावे विधानं घञः, कथमेतावता घञन्ते साध्यताप्रतीतिर्धात्वर्थस्य निवार्यत इत्याशङ्क्याह—शुद्धस्य च धात्वर्थस्य तत्त्वव्याख्यानादिति॥ शुद्धस्य साध्यतारूपरहितस्य धात्वर्थस्य तत्त्वेन [3]भाव्यत्वेन व्याख्यानादिति। एतदेव दर्शयति—धात्वर्थः केवलः शुद्धो भाव इत्यभिधीयते इति (इति)॥ अत्र केवलशब्देन कारकसंसर्गरहितत्वं विवक्ष्यते। शुद्धशब्देन साध्यतारहितत्वमिति। अतो घञन्ते सिद्धरूपो धात्वर्थो गम्यते। तिङन्ते तु साध्यरूप इत्यभ्युपेयम्।

भवतु तर्हि तिङन्ते भाव्यत्वं धात्वर्थस्य। कथमेतावता भावनाया अभिधेयत्वनिश्चय इत्याशङ्क्याह—तत्तर्हि भाव्यत्वं भावनासंस्पर्शकृतमिति॥ यद्भाव्यत्वं धात्वर्थस्य तिङन्ते प्रतीयते, [4]तद्भावनासंस्पर्शात्, न स्वतः। स्वतस्तु सिद्धस्वभावत्वम्। अतो धात्वर्थस्यावगम्यमानं साध्यत्वमन्यथानुपपत्त्या शब्दाभिहितसाध्यस्वभावभावनासंस्पर्शं गमयति। अतस्तिङन्तानां भावना अर्थ इति निश्चीयते। ननु गम्यमानभावना[5]संस्पर्शादप्युपपद्यमानत्वाद्धात्वर्थसाध्यता नाभिधीयमानभावनासंस्पर्शं[6] गमयतीत्याशङ्क्याह—गम्यमानत्वे हि तिङन्तघञन्तयोर्नैव धीर्भिद्येत, अविशेषादिति। यदि तिङन्तेऽपि गम्यमानत्वमेव भावनायाः, नाभि-

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१. भावनासंसर्गः—ख.
२. सोऽर्थः—ख, ग, घ, ङ.
३. भावत्वेन—छ.
४. तद्भानासंस्पर्शात्—च.
५. संस्पर्शत्वाद—च.
६. संसर्गं—छ.

अर्थः । गम्यमानत्वे हि तिङन्तघञन्तयोः [१]नैव धीर्भिद्येत, अविशेषात् ।

नच [२]साधनसम्बन्धाद्भेदः[३], [४]'गम्यते' 'स्थीयते' [५]इति प्रसङ्गात् ।

धेयत्वम्, तदा गम्यमानत्वस्य घञन्तेऽप्यविशिष्टत्वात् अभिधेयत्वस्योभयत्राप्यभावात् घञन्ते तिङन्ते च न बुद्धिर्भिद्येत। भिद्यते च सिद्धसाध्यरूपभेदेन। अतस्तिङन्ते भावना अभिधेयेति निश्चीयते ॥

ननु तिङन्ते धात्वर्थस्य साध्यताप्रतीतिः साधनसम्बन्धादप्युपपद्यते अन्तरेण भावनासंस्पर्शम्। तत्र हि धात्वर्थस्य कर्तृसाधनेन सम्बन्धोऽवगम्यते, तिङः कर्तरि स्मरणात्। अतः साधनसम्बन्धात्तिङन्ते [६]साध्यत्वप्रतीतिः, न भावनासम्बन्धात्। तथा घञन्तेऽपि साधनसम्बन्धाभावादेव सिद्धरूपप्रतीतिर्धात्वर्थस्य, न भावनासंस्पर्शाभावात्। नहि तत्र भावना-(साधन)सम्बन्धो गम्यते, तस्य भावे विधानात्। 'धात्वर्थः केवलः' इति च कारकसम्बन्धरहितस्य धात्वर्थस्य भावत्वव्याख्यानात्। अतः साधनसम्बन्धासम्बन्धनिबन्धनः तिङन्तघञन्तयोः धात्वर्थे बुद्धिभेदः, न भावनासम्बन्धासम्बन्धनिबन्धन इत्याशङ्क्याह— नच साधनसम्बन्धाद्भेदः, 'गम्यते' 'स्थीयते' इति प्रसङ्गादिति ॥ योऽयं तिङन्तघञन्तयोर्धात्वर्थे बुद्धिभेदः, न [७]स साधनसम्बन्धनिबन्धन इति शक्यते वक्तुम्, गम्यते

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१. नैव धीर्भिद्यताम्, अविशेषात्—**क**; नैवभिद्यतां विशेषः—**ख**; धीर्नभिद्येत, अविशेषात्—**ग, घ**; विभिद्येत, अविशेषात्—**ङ**.
२. साधनसाध्यसंबन्धात्—**क, ग, ङ**.
३. भेदावगमः—**क, ग, घ, ङ**.
४. 'गम्यते' नास्ति—**क, ग, घ, ङ**.
५. इत्यत्रापि प्रसङ्गात्—**क, ख**; इत्यत्राप्रसङ्गात्—**ग, घ**; इत्यप्रसङ्गात्—**ङ**.
६. साध्यप्रतीतिः—**च**.
७. 'स' नास्ति—**च**.

किञ्च—

पाकं करोति पचतीत्याख्यातार्थो [१]निदर्श्यते ।
भेदेन शब्दवृत्तिज्ञैः[२] पाकादौ नत्वयं क्रमः ॥ ३१ ॥

इति स्थीयते इति चोभयत्र बुद्धिभेदप्रसङ्गात् । तथाहि—गम्यत इत्यत्र कर्मणि लकारः, गमेस्सकर्मकत्वात् । अतस्तत्र कर्मणा साधनेन सम्बन्धो धात्वर्थस्य गम्यते । स्थीयते इत्यत्र तु भावे लकारः, तिष्ठतेरकर्मकत्वात् 'भावे चाकर्मकेभ्यः' इति च स्मरणात् । अतस्तत्र साधनसम्बन्धो न प्रतीयते । अतश्चोभयत्र प्रतीतिर्भिद्येत, गम्यत इत्यत्र साध्यरूपेण धात्वर्थे प्रतीतिस्स्यात् साधनसम्बन्धावगमात्, स्थीयते इत्यत्र तु सिद्धरूपेण, साधनसम्बन्धानवगमात् । नचैवमस्ति, उभयत्रापि साध्यताप्रतीतेरविशिष्टत्वात् । तस्मान्न साधनसम्बन्धाद्भेदः, किन्तु भावनासंबन्धादेवेति निश्चीयत इति ॥

इतश्च तिङन्ते धात्वर्थातिरेकेण भावना अभिधीयते, न घञन्त इव धात्वर्थमात्रमित्याह—

किञ्च—

पाकं करोति पचतीत्याख्यातार्थो निदर्श्यते ।
भेदेन शब्दवृत्तिज्ञैः पाकादौ न त्वयं क्रमः ॥ (इति) ॥

अयमर्थः—पचतीत्यस्य शब्दस्य कोऽर्थः इति केनचिज्जिज्ञासुना पृष्टः अन्यः शब्दवृत्तिवित् तस्यार्थं भेदेन निदर्शयन् दृश्यते—पाकं करोतीत्यर्थ इति । अतो गम्यतेऽस्य शब्दस्य द्वावर्थावनेन प्रतिपन्नौ—पाकः करोत्यर्थश्चेति । यस्तु घञाद्यन्तः पाकादिशब्दः, तत्र नायं क्रमः, क्रमेण द्वावर्थौ न[३] निदर्श्येते, किन्तु एक एव, पाक इति विक्लित्तिरित्यर्थः इति ।

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१. हि दृश्यते—ख ; न दृश्यते—ग, घ, ङ. ३. न हि दृश्येते—छ.
२. वृत्तिज्ञः—ख.

पचति, पाकं करोतीति तिङन्तपदार्थं भेदेन [1]निदर्शयति [2]नाप्रतिपद्य भेदम् , पाकादिषु तु न तथा, भेदप्रतिपत्तेरभावादिति गम्यते ।

[3]परिकल्प्य भेदं तथोपदर्शनम् , [4]पाकस्याभिनिर्वर्तनं [5]करो-

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अतो गम्यते नास्त्यर्थभेद इति । एतद्विवृणोति—पचति पाकं करोतीति तिङन्तपदार्थं भेदेन (नि)दर्शयति नाप्रतिपद्य भेदम् , पाकादिषु न तथा, भेदप्रतिपत्तेरभावादिति गम्यत इति ॥ अयमर्थः—पचतीत्यस्य तिङन्तस्य [6]पदस्यार्थं भेदेन दर्शयति—पाकं करोतीति ॥ नन्वने-कार्थभेदनिदर्शनेन कथमर्थभेदनिश्चयः? यावता भेदप्रतिपत्तिर्भेदे प्रमाणम् , न भेदेनार्थप्रदर्शनं नाम प्रमाणमस्तीत्याशङ्क्योक्तम्—नाप्रतिपद्य भेदमिति ॥ भेदमप्रतिपद्य नार्थं[7] भेदेन दर्शयति, किन्तु प्रतिपद्यैव । प्रतिपन्नं ह्यर्थं परस्मै प्रतिपादयति, नाप्रतिपन्नम् । तस्मादर्थ-भेदनिदर्शनादवगम्यते पचतीत्यस्य शब्दस्य द्वावर्थौ प्रकृतिप्रत्ययविभागेन प्रतिपन्नौ, प्रकृत्यर्थः पाकः, प्रत्ययार्थः करोत्यर्थ इति (इति) गम्यते । पाकादिषु घञाद्यन्तेषु पदेषु न तथा भेदेनार्थं[8] निदर्शयति, किन्त्वेक एव, पाक इति कोऽर्थः? विक्लित्तिरिति । तस्मादवगम्यते आख्याते द्वावर्थौ प्रतिपद्यन्ते प्रतिपत्तारः पाकं धात्वर्थं प्रत्ययार्थं च करोत्यर्थम् । घञाद्यन्ते तु [9]नार्थभेदं प्रतिपद्यन्ते, भेदेन निदर्शनाभावादिति । तस्मादाख्यातप्रत्यये सति करोत्यर्थ-प्रतीतिदर्शनात् [10]तदभावे चादर्शनात्तिङभिधेया भावना, नतु तल्लक्ष्येति सिद्धम् ॥

तत्र शङ्कते—परिकल्प्य भेदं तथोपदर्शनम् , पाकस्याभिनिर्वर्तनं करोतीति यथेति

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१. दर्शयति—ख

२. नचाप्रतिपद्य भेदं पाकादिषु न तथा—क ; न प्रतिपद्य भेदं पाकादिषु न तथा—ख.

३. पत्त्यभावा—क, ख, ग, घ, ङ.

४. पाकस्याभिनिवर्तनं—क, ख. पाकस्या' भिनिवर्तनं—ग, घ, ङ.

५. करोति यथेति—ग, घ, ङ.

६. पदस्यार्थभेदेन—च.

७. पद्यमानार्थं—छ.

८. अर्थं दर्शयति किन्त्वेकमेव—छ.

९. नार्थभेदः प्रतिपद्यते—च.

१०. तदभावेऽदर्शनात्—च.

तीति यथेति चेत्—न, [१]पाकादावनिदर्शनात् । शब्दोपकल्पितस्तिङन्तेष्वपि भेद इति चेत्—अस्तु तावच्छब्दार्थभेदः, [२]वस्तुन्युपपादयिष्यते ।

चेत् इति ॥ अयमर्थः—नैव पचती[३]त्यर्थभेदोऽस्ति, अपि तु एक एव धात्वर्थः, तस्यैव तु बुद्धया भेदं परिकल्प्य तथोपदर्शनं—भेदेनोपदर्शनम्, अभिनिर्वर्तनम् करोतीति यथा । नहि तत्र करोत्यर्थादन्या काचिदभिनिर्वर्तना । तत्र बुद्धया भेदं परिकल्प्य भेदेन निदर्शनमिति अवश्यं भावनावादिनाप्यभ्युपगन्तव्यम्, तदभाववादिना धात्वर्थे तदाश्रीयते इति चेदिति ॥ अत्रोत्तरमाह—न पाकादावनिदर्शनादिति ॥ पाकादाव(दौ भेदेना)निदर्शनात्, इतरथा पाकादावपि परिकल्पनापूर्वकस्य भेदनिदर्शनस्य प्रसङ्गात् । अतो न कल्पितभेदापेक्षया भेदनिदर्शनम्, अपि तु शब्दार्थभेदप्रतिपत्तिनिबन्धनम्, भेदकल्पनाया ज्ञानरूपत्वान्निरालम्बनत्वानुपपत्तेरित्यभिप्रायः ॥

पुनरश्शङ्कते—शब्दोपकल्पितस्तिङन्तेष्वपि भेद इति चेदिति ॥ भवतु भेदनिदर्शनातिङन्तेष्वर्थभेदः, स तु न वास्तवः,[४] अपि तु शब्दोपकल्पितः[५]। स एव भेदज्ञानस्यालम्बनम् । तिङन्तेष्वपीत्यपिशब्दस्यायमर्थः—न क्वचिदर्थभेदोऽस्ति तिङन्तेषु घञन्तेषु च; यस्तु तिङन्तेषु प्रतीयते सोऽपि न वास्तव इति ॥ अत्रोत्तरमाह---अस्तु तावच्छब्द(ब्दार्थ)-भेदः, वस्तुन्युपपादयिष्यत इति ॥ अस्तु तावच्छब्दार्थभेदस्तिङन्ते, वास्तवत्वन्तु तस्य अस्तु वा, मा वा । घञन्ते त्वेक एवार्थः। वस्तुन्युपपादयिष्यते भेदः ज्ञानवच्छब्दानामपि स्वव्यतिरिक्तवस्त्वालम्बनत्वात् । अत्र तावच्छब्दः क्रमार्थः प्रयुक्तः । शब्दार्थभेदस्तावदादौ

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१. पाकादावपि तथा प्रसङ्गात्—**क, ख**; पाकादावपि भेदप्रतिपादनप्रसङ्गात्—**ग**, ङ. पाकादादपि भेदप्रतिपाददपि—**घ**.

२. वस्तुन्युपपादयिष्यायः—**ग, घ, ङ**.

३. 'इति' नास्ति—**च**.

४. भेदः न स तु स न वास्तवः—**च**.

५. कल्पितम्—**च**.

Reviews

Śārīrakanyāyasaṅgraha by Prakāśātmayati edited by Dr. T. R. Chintamani, M.A., Ph.D., Senior Lecturer in Sanskrit, University of Madras; a Reprint from the Annals of Oriental Research, University of Madras, with a foreword by Mahāmahopādhyāya Vidyāvācaspati Prof. S. Kuppuswami Sastriar, M.A., I.E.S., (Retd.), 1939.

Prakāśātmayati, the author of the *Śārīrakanyāyasaṅgraha,* is popularly known as the Vivaraṇakāra, the author of the *Vivaraṇa,* the great commentary on the *Pañcapādikā* of Padmapādācārya, one of the direct disciples of Śrī Śaṅkara and one of the earliest commentators on Śrī Śaṅkara's Bhāṣya on the Vedānta sūtras. He is an epoch-maker in the history of Advaita Vedānta. His views on Advaita as embodied in his work were closely followed by a host of subsequent original writers and commentators in the Advaita system and his school is known to posterity as the *Vivaraṇa-prasthāna,* in contrast with the *Bhāmatī-prasthāna,* known after the great work *Bhāmatī* of Sarvatantrasvatantra Vācaspatimiśra. The main reason for the development of these two independent schools among the commentators of Śrī Śaṅkara has been sufficiently and satisfactorily explained in his foreword by M. M. Prof. S. Kuppuswami Sastriar and in his preface by the editor.

This work under review is one of the minor works of Prakāśātmayati. It is a gloss on the *Brahmasūtras* divided into various *adhikaraṇas.* In many instances it attempts no explanation of the sūtras. It follows the practice of enunciating the *Nyāyaśarīra* and interpreting the Upaniṣadic passage in question by the application of the *nyāya* or rule of interpretation. Since the text is very brief, it does not even present the *pūrvapakṣa* in many instances, though the *siddhānta,* or final conclusion is to be arrived at by the refutation of the *pūrvapakṣa.* This book shows clearly the limitations within which the rules of interpretation of the Karmakāṇḍa explained in the Pūrvamīmāṁsā Śāstra have to be applied to the Jñānakāṇḍa portion of the Vedas.

Though the *Vivaraṇa* is said to be a complete commentary on the *Pañcapādikā* to the extent of the first *five* pādas, both the text and the commentary are available in print and in manuscript to the extent of the end of *samanvayādhikaraṇa* (I.1.4) only. So the only work of Prakāśātmayati which conveniently summarises his views on the

entire Vedānta is the *Śārīrakanyāyasaṅgraha* and in this respect the importance of this work cannot be be over-estimated.

The present edition of the *Śārīrakanyāyasaṅgraha* is quite welcome especially because the 'Pandit' edition is not easily accessible to scholars. It has been competently edited with the help of three manuscripts. The value of this edition is very much enhanced by the foot-notes giving variations in readings from the three Mss., by Appendix I, which gives the readings of the 'Pandit' edition, by the alphabetical indices of the sūtras and citations and above all, by the valuable foreword of MM. Prof. S. Kuppuswami Sastriar, the great inspirer and guide of Sanskritic studies and research in South India. Dr. T. R. Chintamani deserves to be congratulated on having brought out this excellent edition of this important work in the field of Advaita Vedānta.

V. A. R.

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1. *Descriptive Catalogue of the Government Collections of Manuscripts* —deposited at the Deccan College, Poona, Compiled by the Assistant to the Professor of Sanskrit, Deccan College, Poona.
   Vol. I. Vedic Literature.
   Part I. Saṁhitās and Brāhmaṇas, 1916.
2. *Descriptive Catalogue of Manuscripts in the Government Manuscripts Library*, Bhandarkar Oriental Research Institute, Poona, 1935. Compiled by Hiralal Rasikdas Kapadia, M.A.
   Vol. XVII. Jaina Literature and Philosophy.
   Part I. Āgamika Literature.
3. *Descriptive Catalogue of Manuscripts in the Government Manuscripts Library*, Bhandarkar Oriental Research Institute, Poona, 1936. Compiled by Hiralal Rasikdas Kapadia, M.A.
   Vol. XVII. Jaina Literature and Philosophy.
   Part II. Āgamika Literature.
4. *Descriptive Catalogue of Manuscripts in the Government Manuscripts Library*, Bhandarkar Oriental Research Institute, Poona. Compiled by P. K. Gode, M.A., 1936.
   Vol. XII. Alaṁkāra, Saṁgīta and Nāṭya.
5. *Descriptive Catalogue of Manuscripts in the Government Manuscripts Library*, Bhandarkar Oriental Research Institute, Poona. Compiled by P. K. Gode, M.A., 1937.
   Vol. XIV Nāṭaka.

Indologists all over the world, particularly, those interested in Sanskrit Manuscripts, would welcome with joy these five volumes of the descriptive Catalogue of Sanskrit Manuscripts, belonging formerly to the Deccan College, Poona, and at present in the custody of the Bhandarkar Oriental Research Institute, Poona. The work of preparing a descriptive catalogue for the collection of Sanskrit Manuscripts in Poona was begun under the auspices of the Bombay Government in 1916 and was kept in abeyance for some time. Now that this work has been entrusted to the scholars of the Bhandarkar Oriental Research Institute, Poona, it may be reasonably hoped that this work will be completed soon. These volumes are prepared in accordance with approved methods of descriptive cataloguing and contain useful information.

S. K.

University Notes

OUR VICE-CHANCELLOR.

On the 1st of June 1940 Dr. Sir Kurma Venkata Reddy Naidu Garu, K.C.I.E., D.Litt., M.L.C. took charge of the high office of Vice-chancellor of this University. It is a rare piece of good fortune that a gentleman of his eminence has consented to preside over the studies and direct the administration of this great seat of learning.

Founded on the unexampled munificence of that great patron of learning, the Rajah Sahib of Chettinad, this institution has been nurtured on the devoted and selfless services of a distinguished succession of Vice-Chancellors. It is a matter of no little pride and satisfaction to us that Diwan Bahadur S. E. Runganathan, our first Vice-chancellor, not only became the Vice-chancellor of a sister University but is now occupying the exalted position of Adviser to the Secretary of State for India. His successor, the Rt. Hon'ble V. S. Srinivasa Sastriar, is a member of His Majesty's Privy Council and a Companion of Honour. Now we have in our midst as Vice-chancellor Sir K. Venkata Reddy who has occupied the highest position under the Crown in this Presidency, namely, the Governorship of Madras.

To the onerous and responsible duties of Vice-chancellor of this young University, Sir K. V. Reddy Naidu brings not merely a disinterested love of higher learning but also a wide and varied experience of many years spent in the service of our mother-land. Both as an official and as a non-official he has won for himself a unique position in the public life of our country. His great abilities and high character came to public notice when the late Rajah of Panagal formed his first popular Ministry in Madras, and chose Sir K. V. Reddy as the Minister of Agriculture and Industries. He had also the rare honour of representing India in the League of Nations at Geneva in 1928. From Geneva the scene of Sir Venkata Reddy's labours shifted to South Africa where he represented the Government of India as its Agent-General. On his return from South Africa he became a member of the Council of State at Delhi; and in 1934 the Governor of Madras appointed him to his Executive Council as Member in charge of Law. His conspicuous success as a Member of the Executive Council was crowned by his appointment as Governor of Madras.

As leader of public opinion, as legislator, as Minister, as Executive Councillor, as Governor his life has been rich and full. And the treasures

Dr. Sir Kurma Venkata Reddy Naidu Garu,
K.C.I.E., D.Litt., M.L.C.
Our Vice-Chancellor

of wisdom and experience that Sir Kurma has garnered during decades of unremitting labour he proposes to dedicate to the service of this University. In the new sphere of work that he has chosen for himself we assure him of the hearty and unstinted co-operation of one and all of the staff and of every scholar and researcher. May this University grow from strength to strength under his wise and distinguished direction!

SIR NORMAN MURRAY GOLD MEDAL.

Mr. V. Sivaraman, M.A., M.Litt., former Research Scholar of Economics Department, won the Sir Norman Murray Gold Medal for scoring the highest number of marks in the recent examination of the Indian Institute of Bankers. We congratulate him most heartily.

M. LITT DEGREE.

On the recommendation of the Board of Examiners appointed to adjudicate on his thesis on "Road-Rail Transport in India" the Syndicate has declared Mr. S. R. N. Badri Rao, M.A., to be qualified for the award of the degree of M.Litt. of this University.

The Madras General Sales Tax Act — A Study

By

Dr. B. V. Narayanaswamy Naidu, M.A., B.Com. Ph.D.

and

S. Thiruvengadathan, B.A. (Hons.)

Section 1

INTRODUCTION

I

The Madras General Sales Tax Act was passed after a good deal of controversy in May 1939. It was considered at the time of passing the Act, by a certain section of legislators, that it had greater potentialities for doing evil than good. The chief characteristic of the Sales Tax *viz.*, its productivity, went without much challenge; but it was contended, on a simple theory of incidence, that as the tax led to the consumers being indirectly taxed, it merely tended to aggravate the differences of the tax burden of the various sections of society. The statement of the sponsors of the measure that it was intended to correct the tax burden of the various sections of society failed to convince the opponents. It was thought that the higher prices charged to commodities would lead to a higher cost of living, followed by a clamour for wage rise, which if not granted, would perpetuate a very undesirable state of affairs especially as regards labourers. It was argued that integration, and disintegration of businesses to a greater extent, would be brought about and that middlemen would be ousted out of existence. A strong reaction to the stipulations enforcing the keeping of detailed accounts was also expected.

However in the face of all these criticisms, the measure was passed and more than 10 months have elapsed since it came into force. It was considered by the writers of this volume that a study of the working of the Act was an important field of useful investigation. Greater was the desire felt towards such an enquiry in the absence of any comprehensive Government report; it was thought that a study of the various allied problems related to Sales Tax with due attention to the criticisms advanced at the time of passing the Act, would greatly help a proper understanding of the position of the tax as a source of provincial revenue in Madras. A keen desire to know how far the criticisms were correct and to what extent they have been merely imaginary has impelled the writers to undertake this work.

This brochure cannot claim to be an exhaustive study. Further the scope of the enquiry has been restricted to only one district—South Arcot—and does not embrace the whole Presidency. Besides these limitations, it has to be pointed out that cer-

tain fields of enquiry could not be undertaken with the hope of getting positive results. The assessment of the influence of the tax on prices, cost of living and wage level could not be touched upon for fear that in the disturbed state of the present world, any conclusions reached at may not represent the whole truth. The outbreak of the war in September just a month prior to the coming into force of the Act has brought about such changes, mostly due to psychological factors, in the field of prices etc. that it has been found to be almost an impossible task to discount its effect. But all the same the tendencies in these spheres have been studied and noted down; efforts have been made to show whether the tax is being uniformly shifted on all commodities to all consumers and at all times. The limitations set forth in the section dealing with this question must leave the impression that increase in prices because of this very small tax has been almost negligible, and felt only in a few cases. The other problems over which decisive conclusions could not be reached are the effects of the tax on business turnover and cost of administration of the tax. The difficulties theoretical and practical, experienced in these fields of enquiry, have been set forth in the sections dealing with them.

Other aspects of the tax have been examined in the pages of the book. After a preliminary history of the tax and a short description of its form in other countries, the Madras Act, in all its stages is considered. A few of the more important criticisms have been answered. A special section is devoted to study, whether any difficulty is experienced by merchants in account keeping, how far their accounts are intelligible and whether there are unsatisfactory reactions to the authorities prying into their accounts. The difficulties felt in the administration of the Act have also been considered.

The question of evasion of the tax has been studied in some detail. These sections are followed by one dealing with the incidence of the tax. When the work was undertaken the aim was merely to study the working of it in the South Arcot district. But what is said in these sections is to a great extent true for the whole Presidency.

The rest of the work is devoted, to a study of the effect of the tax on middlemen and business turnover of dealers including co-operative consumers' societies. It has also been examined whether any tendencies for disintegration of businesses have been noticeable. As far as South Arcot is concerned, the question of integration has not arisen.

Wherever possible, conclusions have been strengthened with figures; but the nature of the enquiry is such as not to present many occasions for resort to figures. In many cases where nothing more than some general tendencies have been noticeable, they have been stated as such.

We present this brochure to the public with the hope that it would succeed in giving some idea of the working of the Act, of the difficulties experienced, of the solutions that must be arrived at, and of the reaction of the merchants and the public to the measure during the short period of the working of the Act which we have studied.

The authors wish to acknowledge with great pleasure the munificence of the University which has enabled the publication of this volume. They also take this opportunity to thank everyone who has helped them in their work.

Section 2

Short History of the Tax

The Great War has brought about manifold changes in the world in all fields of activity. Politically, economically and socially also the post-war days have been far different from the pre-war days. Rapid changes have passed over the whole world within a short period of four years of rivalry and have left lasting impressions of their effect. The political changes have been so striking that they have attracted the attention of the public in various countries. Numerous books have been written on that subject. But the economic aspects of the changes, it must be admitted, have not been dealt with in great detail. The field of Public Finance is the least touched of all branches of Economics. If the War had affected anything very much it is finance; but it is somewhat strange that this question should be so meagrely studied.

Of the many changes that have come about in the field of Public Finance the greatest have occurred in the field of taxation. Besides the new attitude borne towards direct and indirect taxation, a change is noticeable in the types of taxes and principles employed in taxation. It need not be pointed out that a new importance has been given to the system of progressive taxation. The second outstanding change is to be seen in the introduction of a few thoroughly new taxes; certain old taxes, that have gone into disuse during the previous years have also been revived. The Sales tax of the post-war days is an important tax that comes under the latter category.

The Sales Tax is a very old tax but is certainly not the best tax. It is said to have been prevalent in Ancient Athens; in Egypt, under the Ptolemies and in Rome, under Augustus and other emperors. The rate of the tax in such times was ordinarily 10% *ad valorem* but even double the rate was common in exceptional circumstances.

In our own country, we find references to the use of the tax as early as the age of Mauryas. Kautilya, in his *Arthasastra,* refers to the trade tax in the following way:

"The amount of Vyaji or trade tax due on commodities sold by cubical measures is 1/16 of the quantity; that on commodities sold by weighing balance is 1/20 of the quantity and that on commodities sold in numbers is 1/11 of the whole."[1] Apart form this tax, a sales tax was col-

1. *Arthasastra,* Book II, Chapter 16.

lected from the highest bidder, whenever immovable property was sold in public auction. References to the sales tax are also found in the *Sukranitisara* and other works, but the rate of the tax seems to have been much less than that adopted by the Mauryas.

Taxes on the sale of commodities were very common and numerous in Europe during the Medieval times and the Spanish *Alcavala*[2] is the most noted of them all. It was reintroduced in Spain in 1342 and existed till the middle of the 19th century; it received the severest condemnation at the hands of many writers of the 18th century who even went to the length of saying that the "alcavala was one of the principal engines that contributed to the ruin of most of Spanish manufactures and trade." Adam Smith who endorses this view adds that the declension of Spanish agriculture also must be attributed to it.[3] Though at the time of its introduction, it took the form of a 5% tax on all business turnover, it had a very chequered career, being subject to constant alterations in rate. But for the greater part of its existence it was collected at a 10% rate. The method of collection, the high rate of the tax and the nature of the exemptions, led to severe conflicts and opposition in the country and numerous attempts to modify the tax were often made. Finally in 1785, radical changes were introduced which reduced the alcavala to a "production tax." It did not flourish long in this new form as its fate was once and for all sealed by the decree of June 1843. A more moderate tax is said to have been prevalent from about the 15th century in Naples.

Though a few States of the American Union adopted the tax during the 19th century, it is only during the War and Post-War periods that the tax has been introduced by many important countries. Adopted by Germany in 1916, it has been copied soon by other needy countries. France followed Germany close on its heels and introduced it in the year 1920. It has however to be noted here that most of the countries that adopted it were not attracted by any special virtue that it possessed but were driven to it by their pressing needs. The huge expenditure caused by the war, the work of reconstruction and the payment of war pensions and allowances put such a heavy strain upon their financial resources that they were forced to fall back upon this mode of indirect taxation. The absence of any other equally productive tax is perhaps the chief cause for its wide prevalence to-day. To say that the rapid spread of the sales tax in the post-war days has often been due to the direct and indirect losses of the war

2. Refer Encyclopaedia of Social Sciences.
3. Adam Smith: *Wealth of Nations*, Book 5, Ch. II, Part II, Article IV.

ignores a more important factor which should not be lost sight of. If one studies the history of the Sales Tax it is easy to find out that the depression has made this tax widely popular with financiers. It was during the period of the depression that it spread widely. Many States of the United States of America passed some form of a sales tax between the years 1929-33. During these years when all other sources of revenue were falling off in yield and when the expenditure had to be maintained at the pre-depression level or even increased, the sales tax found an easy entry as a source of revenue in many countries. And by the end of 1937, "it was levied in 29 states of the United States, 3 Dominions of the British Commonwealth, 12 Countries of Europe and 6 Republics of South America."[4]

If its productivity, as it seems to be, had induced practically-minded financiers to introduce the tax in their countries, the sales tax must be said to have fulfilled their expectations to the full. For it occupies a very considerable portion of the tax receipts in many countries and is found to be quite as good as income tax and customs revenue and a serious rival of the latter. The truth of this statement will be well illustrated by the following table.[5]

Income, Customs and Sales Tax Revenue expressed as percentages.

Country.	Year.	Income-tax.	Customs Revenue.	Sales tax.	Total.
France	.. 1934	19·5	15·1	17·5	52·1
Germany	.. 1932-33	9·4	22·3	19·1	50·8
Italy	.. 1933-34	22·3	11·7	6·6	40·6
Hungary	.. 1932-33	10·6	4·8	12·9	28·3
Czechoslovakia	.. 1933	14·6	6·5	23·0	44·1
Austria	.. 1934	19·4	16·0	21·2	56·6

The only important country that has not yet introduced the sales tax is Great Britain. Suggestions have been made even there to introduce it as a national tax "as a substitute for part of or as an addition to the existing taxation of income." The Colwyn Committee[6] considered the question of the introduction of sales taxation in England but dismissed it "in somewhat cavalier terms and in a single paragraph in its report." "In Great Britain the tax has never been popular mainly because it is thought to be a burden on business, that it leads to a rise

4. Madras Legislative Assembly Debates, Official Report, Volume XII, No. 7, pp. 469.

5. G. F. Shirras: The Science of Public Finance, Vol. II, p. 607.

6. Report of the Committee on National Debt and Taxation, p. 1031.

in prices and consequently to wage disturbances and that it is passed on to consumer, points which have not always been capable of proof."[7] Further the sales tax has no attraction for the Englishmen because the psychology of the English taxpayers is averse to indirect taxation. The success of the sales tax in France is attributed partly to the French dislike for direct taxation and liking for indirect taxation. This is an instance of how the psychology of the taxpayers plays a great part in the scheme of taxation of a country and is responsible for the success or failure of the tax. The tax has not been introduced in America as a federal source of revenue till now, but is prevalent in nearly 22 states and 2 cities.

Thus the sales tax has become a very popular measure with needy financiers and the history of the tax and its adoption in India very recently only illustrate the statement of Adam Smith, that, "there is no art, which one Government learns sooner of another, than that of drawing money from the pockets of the people."

7. G. F. Shirras: The Science of Public Finance, Vol. II, p. 607.

Section 3

Sales Tax in Foreign Countries

An idea of the tax as prevalent in foreign countries may help a proper understanding of the Madras Act and this section is hence devoted to a description of the tax—its form, yield and difficulties in administration—in foreign countries. A reading of these pages will convince the reader of how with low start in the beginning it has now become an important and indispensible source of revenue. The other, perhaps unique, quality of the tax, that of its undiminishing yield, even in the face of trade fluctuations, might be inferred.

The origin of the *German* turnover tax has to be found rather curiously in the low stamp tax adopted at the beginning of the War. The difficulties in the administration of this tax led to the search for a more easy source of revenue and in July 1918 it was superseded by the turnover tax of ½ of one per cent. This ½% tax was collected on the gross receipts from sales of goods and from services. Exemptions were granted in the case of exports from January 1, 1925; certain foodstuffs and raw materials were also excluded from taxation. Necessaries imported into the country were free from taxation. When the tax was introduced in Germany, it was feared that it would encourage integration of industries and thus place the small manufacturers at a disadvantage in comparison with giant concerns organised in vertical combination. To guard against such a tendency and to protect the small manufacturers the German Law of 1918, provided that transfers from one branch of a business to another should be taxed as if they occurred in separate businesses. But owing to difficulties in the way of fixing of prices of articles that were passed on from one stage of production to the other, this provision had to be dropped in the course of a year. Still, no tendency towards combination is noticeable in such a form that it can be said to be the result of the turnover tax. Middlemen were protected in Germany in much the same way as agents are under the Madras Act. Though difficulties were encountered in the first few months of the administration of this Act, they were soon got over and the tax won a very high place in the fiscal system of the country.

In Germany the rate of the tax varied from time to time. Pressed as the country was with a huge expenditure at that period, which did not shrink in volume even after the war, because of the work of reconstruction and the burden of reparations, frequent efforts to increase the

rate of this productive tax were made. From ½% in 1918 it reached 2·5% within 6 years. The Dawes Committee condemned the high rate of the turnover tax which was then 2·5%. The feeling amongst the working class population that they were paying the greater part of the tax also grew in volume and strength. The result was that from October 1, 1924 there has been regular and successive reductions in the rate of the tax. The necessity to give some relief to the industries during a period of depression brought the question of the tax burden of the industries to the forefront and a reduction in the rate of the turnover tax was conceived as one of the steps leading to it. Accordingly in 1926 the tax was reduced from the low rate of 1% to ¾ of it. This reduction in the rate, it is remarked by some, has only tended to strengthen the hold of the tax in the German fiscal system. The following table[1] shows the quick rise and fall in the rate of the tax.

Date.		*Rate % of the Tax.*
July 16, 1918	..	·5
December 24, 1919	..	1·5
April 8, 1922	..	2·0
January 1, 1924	..	2·5
October 1, 1924	..	2·0
January 1, 1925	..	1·5
October 1, 1925	..	1·0
April 1, 1926	..	·75

The yield of the tax increased with every increase in the rate of the tax and before 1923-24 it occupied a very important place in the annual budget. Nearly ¼ of the total tax revenue of the Reich was secured from this source in 1923-24 and the following few years. The yield has fallen in later years, which may be attributed to a great extent to the reductions in the rate.

1. Taken from A. Comstock: Taxation in Modern State, Ch. 9, p. 124.

Statement showing yield of turnover tax in Germany.[2]

Year.	Yield of turnover tax. Millions of Marks.	Year.	Yield of turnover tax. Millions of Marks.
1920-21	5,049	1928-29	1,000
1921-22	11,474	1929-30	1,013
1922-23	228,537	1930-31	996
1923-24	—	1931-32	994
1924-25	1,799	1932-33	1,354
1925-26	1,338	1933-34	1,516
1926-27	974	1934-35	1,872
1927-28	900	1935-36	2,020

"The reductions in turnover in 1930-31 and 1931-32 were almost compensated by increases in rates from 0·75% to 0·85% as from April 1930, (1·35% for retailers with a turnover exceeding RM 1 million) and 2% as from January 1932. The yield exceeded the level of former years considerably as from 1932-33."[3] The yield of the turnover tax in various years as percentages of 1928-29 were as follows.

	1929/30	1930/31	1931/32	1932/33	1933/34	1934/35	1935/36
Turnover tax	101·3	99·6	99·4	135·4	151·6	187·3	202·0

The statement besides showing the remarkable increase in the yield of the tax with increases in rate, brings out the more important truth that the sales tax is not seriously affected by the depression.

"Like the other true turnover taxes as, e.g. those of France and Czechoslovakia, the law is founded upon the self-notification of liability and upon the statutory duty of keeping detailed records showing the transactions liable to the tax."[4] With a view to checking evasion and raising the yield to budget expectations, strict regulations have been formulated in Germany for the proper maintenance of accounts of daily sales subject to taxation at different rates; "a stock book" and "a

2. (a) Taken from A. Comstock: Taxation in Modern State, Chapter IX, page 126.

(b) League of Nations: Memorandum on Public Finance, 1922-26, 1926-28 and 1928-35.

3. League of Nations: Memorandum on Public Finance: Economic Intelligence Service XII, Germany, p. 7.

4. A. Comstock: Taxation in Modern State.

tax book" with details as regards the sale of articles, the prices and date of sale are also to be maintained by the merchants. Returns are filed quarterly by the taxpayers along with advance payments on the basis of the returns. Final adjustments are done only at the end of each year.

In Germany, except for grumblings on the part of the manufacturers and merchants about the trouble of account-keeping, no serious difficulty arose from that quarter in the administration of the Act. There was no cause for dissatisfaction during a period of depreciating currency when they were able to pass on to the consumers not only the whole tax but even more. Much evasion existed in the earlier period, owing to the instability of the currency and lack of information regarding prices. This led the smaller merchants to escape the losses caused by sudden fluctuations in prices by omitting to note down sales and thus save a few thousand or hundred marks.

The turnover tax is not wholly absorbed by the Reich Government. When the Reich acquired financial hegemony by the 1919 constitution, it adopted the practice of sharing with the Lander and municipalities the yield from certain taxes. About 30% of the yield of the turnover tax with guaranteed minimum of 450 million marks, is set apart for the states and Communes by the Reich.

The Law of June 25, 1920 which came into force in July of that year introduced the turnover tax in *France*. The rate at first was 1·1% of which 1% was taken over to the National Treasury while the remaining one tenth was passed on to the local governments. As in Germany, the turnover tax was accompanied by a luxury tax of 10%. Exemptions were granted in the case of certain commodities; sales of bread were not taxed; agriculturists, members of liberal professions and employees were free from the operation of the Act. Barring these, the law was applicable to all other industrial and commercial transactions carried on within the country and the tax is levied on all gross sales and gross amounts of commission. The tax became very unpopular in 1921 chiefly owing to the proposal to double the turnover tax by the Financial Committee of the Chamber of Deputies; "The pent up irritation against the tax burst forth" and the tax was much condemned as differentiating unjustly between merchants and agriculturists. However, in March 1924, the rate of the tax was raised from 1·1% to 1·3% which was further increased subsequently "and adjusted to various types of business, so that 4 different rates of turnover tax, apart from taxes at the production stage for certain industries were in force until August 1926."[5] The reforms suggested by the Committee of Experts were carried out in that month.

5. *Ibid.*, p. 131.

Multiplicity was avoided and the tax was unified and maintained at a rate of 2%. At this time the tax on exports also was abolished. In 1926, when the beginnings of another business depression were experienced, the French merchants feeling the pinch of the tax tried to condemn it, but this wave of opposition too did not last long, for with the return of prosperity the opposition slowly vanished.

Difficulties were experienced in the first few months of the working of the tax. Failures to submit returns at proper times were very common and the reason for this was said to be the complicated nature of the tax which was not easy for merchants to understand. Difficulties in the matter of verification of accounts were also serious, as the accounts maintained by the merchants under the code of commerce of Napoleon were often scanty. The dislike of the French merchants in showing the accounts for verification to the tax authorities impeded to a great extent the regular collection of taxes. Deficits in collection occupied a large percentage of the total demand.

It is generally said that much evasion was practised under this head; "The *Temps* claimed that 2/3 of the merchants evaded the turnover tax and that it was actually a tax on the remaining 1/3; that it was a tax only upon those who wished to pay."[6]

These difficulties were to an extent solved in 1922 by the introduction of the "forfait system" which only means a "lump sum payment." In the beginning the system was extended only to those taxpayers with a turnover of less than 48,000 Francs a year, who were allowed to make payments quarterly on the basis of turnover of the preceding year. The advantages of the system were so much appreciated by the merchants that they made numerous representations within a few months to extend the scheme further, to be applicable to bigger merchants. This demand of the bigger merchants was granted and the budget law of 1922 contained a provision to that effect.

In the beginning the difficulty of defining the commodities that should be classed as luxuries was prominent but with the passage of time and the gaining of experience the difficulty was got over. "The later history of the French turnover tax seems to bear out the old saying that any old tax is a good tax." Such other difficulties as were experienced in the course of the practical administration of the tax have been solved in the course of years and it may be said that in later years the tax had a smooth run.

6. *Ibid.*, p. 131.

However, the tax remained unpopular with the public and with the French merchants. Their dislike to disclose their account books to a third party, the distinction between the merchants and agriculturists and the inability of traders to shift the tax on to the consumers during periods of business depression, all combined to make the tax unwelcome to them. Many of these factors were merely transitory and it would not be far from the truth to say that the tax was received with a certain amount of indifference both by the merchants and traders in periods of prosperity and non-depression times.

The importance of the tax could be well appreciated when it is said that the tax came as a saviour while France was undergoing very serious fiscal difficulties. A look at the yield of the tax further illustrates an important characteristic of the sales tax, that it is possible of a steady yield even in the face of minor cyclical fluctuations. The following table would show that even when allowance has been made for the depreciation of the currency in post-war days, there has been a steady increase in yield. While in the year 1925 the tax was 15·8% of the tax revenue, it increased to 19·4% in the next year and in 1927 it was 20·8%.

Statement showing yield of turnover tax in France.[7]

Year.	Millions of Francs.	Year.	Millions of Francs.
1920	942	1928	9,295
1921	1,897	1929	9,865
1922	2,280	1930-31	9,226
1923	3,016	1931-32	8,873
1924	4,090	1932	6,478
1925	4,439	1933	6,897
1926	6,445	1934	6,386
1927	7,582	1935	7,247

The *Belgium* sales tax is a manufacturers' or wholesalers' tax and is known as a Transfer tax (tax de transmission). It was introduced by the law of August 28 of 1921 and became operative from roughly the middle of November of that year. The rate of the tax was 1% which was levied on all transaction " in merchandise and other movable property with the exception of retail sales " and was calculated on the total purchase price paid. The tax was levied only when an actual transfer of goods movable by their nature took place between living persons for a consideration within Belgium. These limitations at once exempt gifts and inheritances from the operation of the Act.

7. League of Nations: Memorandum on Public Finance 1922-26, 1926-28 and 1928-35.

The burden imposed on the chain stores have necessitated the exemption of the transfer of goods to a branch from the head office, though originally such transfers were treated as separate sales. The transactions of buying and selling conducted by a commission agent on behalf of a recognised principal are taxed only once, that is, at the time of the transfer from the vendor to the definitive purchaser.

The nature of exemptions granted under the Belgium law may be stated at some length as it reveals the essential principles to be followed when the tax is levied, and represents also the general tendency prevalent in the leading countries. The following transfers are exempted[8]:—

1. The sale of bread and flour for baking bread, potatoes, lard, margarine, frozen meat, eggs and other foodstuffs as specified by royal decree.
2. Public and auction sales of food in exchanges and markets.
3. Sales to the Government, the provinces, the departments and to public establishments.
4. Sales of water, gas and electricity.
5. Sales of not more than 30 Francs.
6. Sales of farm products and coal, directly from the producer to the consumer of not more than 150 Francs.
7. Sales by retailers direct to individuals for their personal use without regard to the amount of the sale.
8. Goods returned by a branch to a head office.
9. Transfer in execution of a contract of sale which was required to be publicly registered in Belgium.
10. Exportations, either direct or through brokers.
11. Importations (*a*) by the chief diplomatic representatives (*b*) personal baggage etc. (*c*) for reexportation (*d*) of metals from the colonies.

The Belgium Government in their endeavour to minimise the cost of administration of the tax have made the taxpayer himself the real tax collector. All computations of the tax and other incidental and necessary work have to be performed by the merchant himself. The tax is paid "by affixing double stamps (printed in two parts, detachable on a horizontal line) on the seller's invoice and on the purchaser's invoice half on each and by cancelling them. It is the duty of the seller to provide the stamps and to attend to the details of affixing and cancelling

8. Taken from A. Comstock: Taxation in Modern State, p. 138.

them." This system possesses the advantage of not injuring the susceptibilities of the merchants by forcing them to submit their accounts which are regarded as sacred secrets; the examination of the purchase and sales invoice books is not disliked by the merchants. However, it must be pointed out, that the onerous duties that it imposed on them were much resented and severe criticism and condemnation of the Act on this point were advanced in the earlier stages.

The consumer in Belgium was rather indifferent to the payment of the tax even when he knew that it was shifted to him. The reason is to be found perhaps in the fact that the burden of general taxation was not crushing. Comstock observes, "The ultimate consumer was not pressed down to his centime in the matter of taxes, either direct or indirect, and in so far as he was conscious of the incidence of the transfer tax, he seemed to think that it was as good as any other tax".

The importance of the transfer tax of Belgium as a revenue producer is sometimes exaggerated. As regards yield the tax occupies only a place next to income tax. Unlike the Latin countries, Belgium does not rely upon indirect taxation to a great extent. While the receipts from income tax had consistently remained at about 25% of her revenue, the yield from transfer tax was only a fifth of her tax revenue.

% of tax revenue.

	1925	1926
Income-tax	30·6	33·9
Sales Tax	19·7	21·1

The *Czechoslovakian* turnover tax leaves a lesson for India as it demonstrates how useful it is in a country with no sound financial practices and with depleted or almost exhausted resources and where the land tax and the income tax are undependable and objectionable. The new state of Czechoslovakia in the post-war days, unwilling to answer the needs of its Government by a resort to monetary tactics, found in the sales tax, a good source of revenue. The heavy or almost crushing burden of taxation during the previous regimes had already prepared the people to bear ungrudgingly any tax imposed on them, if it was not inconvenient, and this attitude of the people helped the Government in successfully introducing the measure, which everywhere else was received with the greatest opposition. A law providing for the levy of the sales tax passed in December 1919 came into operation in the beginning of

the next year. According to it a tax of 1% was imposed on the selling price of all transactions in commodities. Services also came within the field of taxation. Along with this tax, a luxury tax of 12% at the place of production and 10% at retail establishments came into force. In the beginning however, the tax was not popular with the public; the erratic price fluctuations due to sudden changes in the supply of commodities was wrongly ascribed to the turnover tax. But with the passage of time, as in other countries, the opposition subsided. Criticisms of other types either about the rate of levy or mode of collection were not prominent though some ill-feeling existed as to the differentiation shown between the agriculturists and the merchants. Some of the objectionable features which came to notice were removed in 1921 when the tax was doubled.

It would not be wrong to say that the potentialities of the tax were fully revealed in this country. Even within the first two years of its existence the tax occupied a very high rank amongst the various sources of the tax revenue, yielding nearly from 20 to 25% of it. In the second year it stood second among the taxes with only the coal tax above it. In 1922 the turnover tax beat the coal tax in yield and about 1929 there was none so highly productive as that in the state. Even the income tax yields only half as much.

The *Polish* turnover tax on gross sales was introduced in 1924. All businesses, operations and liberal professions with only certain exceptions came within the field of taxation. The general rate of the tax was 2% in 1926, but was only 1% on raw materials. Different rates were levied for transactions carried on by different classes of merchants in respect of certain goods; thus a 5% tax on wholesale transactions in materials for home agriculture and industry, 1% on retail trade in food and 5% on commissions were imposed. The difficulties caused by this variety of taxes and in obtaining accurate returns from those liable to pay the tax, made its administration pretty difficult in the beginning. The absence of trained and capable hands to deal with the situation intensified the trouble. The American Financial Committee which came to Poland in 1926 to help the Polish Government in carrying out financial reforms found in the tax "rather serious difficulties of administration." It did not favour the existence of the tax as it imposed unequal burden among the different branches of industry and among different businesses in the same industry and even recommended the final replacement of the turnover tax by other equally productive business taxes. In the meanwhile, it recommended some changes in the practices prevalent under the existing law. It advocated the cause of the very small concerns and suggested their exemption from taxation; it considered the licence tax to be a

better mode of taxing the smaller business men than the tax on sales; such a tax it claimed would cause only a meagre sacrifice to the Government but go a great deal in diminishing the cost of collection. The Commission also pointed out the advantages of uniformity in rate and the difficulties and defects of a multiplicity of rates. It fixed only ½% as the maximum for a general uniform rate. The yield of the tax cannot be said to have been very high in Poland. But this can be accounted for in part by the bad times which Poland experienced when the tax was introduced.

*Statement showing yield of Turnover Tax in Poland.**

	Year.	Millions of Zloties
Closed Accounts ..	1928-29	350
	1929-30	346
	1930-31	300
	1931-32	239
	1932-33	195
Provisional Results ..	1933-34	178
	1934-35	184
Estimates ..	1935-36	189

The turnover tax in *Austria* was levied at a 1% rate on deliveries of goods and services by industrial establishments from April 1923. A luxury tax of 12% also existed along with it. It was considered to be a good source of steady revenue and its utility was well recognised during a time when the receipts from other sources were falling or changing with times. The importance attached to it and the extra-ordinary yield of the tax will be inferred from the following observations of the Commissioner General for Austria.[9]

> "The tax on commercial transactions is the most important of all sources of Federal revenue. Its yield was estimated at 450 milliards in the 1923 budget and has been raised to 1400 milliards for 1924. It should not be forgotten that the tax on commercial transactions was only actually put into force on April 1st (1923) and that until recently it has not been possible to collect it in full, the difficulty of collection being particularly marked during the first few months."

The rate of the tax in 1924 was double the original rate and produced more than a fifth of the total revenue in the following years. Experts are

*League of Nations: Memorandum on Public Finance 1928-35: Economic Intelligence Service XXII, Poland.

9. Eleventh Report of the Commissioner-General of the League of Nations for Austria (Geneva 1924, pp. 40). Quoted by Comstock: Taxation in Modern State, 147-148.

of the opinion that it is not oppressive and that the cost of administration also is very low. The emergency tax on commodities turnover introduced as from August 1932 practically doubled the rates of the old tax.[10]

Another important European country that adopted the sales tax is *Hungary*. The tax was introduced in September 1921, much earlier than it was in the sister state of Austria. The original rate of the tax was only 1·5% imposed on all sales of goods and services with the usual exemptions. In 1924 the rate was 3% and the Financial Committee of the League of Nations which sat over the question of Financial Reconstruction of Hungary criticised the high rate of the existing tax and recommended its gradual reduction as times permitted. The rate was however reduced by 1% shortly after the recommendation which was soon reflected in its yield as is shown by its fall from 27% in 1924-25 to about 18% in the next two years.

Canada.—Of the important Dominions of the British Empire, Canada is one that has adopted the sales tax and its experience is considered to furnish a "valuable example of the sales tax in a different type of industrial society." The passing of the sales tax law in 1920 in Canada must be attributed only to the financial stringency caused by the War. All sales by manufacturers to wholesalers or jobbers, which had not been exempted, came within the scope of the law, on which a tax of 1% was imposed. But as it was the intention of the Government that the "tax should rest with a weight of at least 2% on goods sold for consumption," an additional tax of 1% was levied on sales by wholesalers or jobbers to retailers or consumers. It must be noted here that though provisions were made only for a 2% burden on commodities, the actual burden was much higher, perhaps as high as 8%. In the matter of exemptions Canada has strictly followed the principle of exempting of normal food consumption. Newspapers and a variety of such other commodities also have been excluded from taxation. It is sometimes said that it is this far-sighted policy of granting liberal exemptions that has made the tax permanent in the country. The only articles coming within the group of necessaries that felt the force of the tax were the clothing items, but it cannot be said that the burden imposed this way was very heavy.

The original rates of 1% and 2% were raised by May of next year to 1·5% and 3% with an additional tax of 1% for importations by retailers and consumers. In May of 1922 the 1·5% tax was raised to 2·25% while direct sales by producers to consumers were taxed at 4·5%. Imports were taxed at 6%.

10. Memorandum on Public Finance: 1928-35, Austria III, p. 6.

The experience of the tax for four years had brought out in 1924 many of the defects and efforts were made in that year to reform the tax. It was found out that the cumulative tax in the case of certain commodities was not so harmless as it was thought to be, and hence according to the law which came into operation in January 1924 it was converted into a purely manufacturer's tax at 6%. Under this law, raw materials and goods to be manufactured were exempted and the principle that the sales tax should be levied on an article only once, which should be paid by the final producer was given effect to. With the financial recovery of the country a movement set in for the gradual reduction in the rate of the tax and for its final extinction. In some quarters there was a vigorous plea for the abolition of the high rated wholesaler's tax and its substitution by a low general turnover tax, at 1%. The recovery of the country made it possible to give effect to some of these suggestions. Cuts in the sales and income taxes were effected. It was reduced to 4% in 1927 and 3% in 1928. It was generally believed in 1928 that this policy of gradual reduction was only paving the way for the final elimination of the tax altogether.

It can be remarked, without any reservations, that in Canada the tax has revealed its power as a source of revenue. It has surpassed the income tax in yield and has contributed nearly 25% of the total governmental receipts. Though it thus became popular with the finance ministers and the Government, the merchants and manufacturers complained that it operated unequally on them and that it affected the exportations of certain manufacturers to the United States of America. Hence a well-known writer on modern taxation remarks "that in spite of the large yield, the Canadian tax had not yet fitted into the fiscal system with the ease which had characterised some of the European Countries."

If any major country has refrained from resorting to the sales tax as a source of National revenue, it can be said that Great Britain is followed by the equally mighty *United States of America.* In America the question of levying the sales tax was a subject of much controversy shortly after the War and again about 1930-31. Strangely enough, the business interests of America, as represented by the National Association of Manufacturers, the National Association of Real Estate Boards and other organisations favoured the adoption of the sales tax, of course not without a motive; for they wished to be benefited by reductions in the special luxury taxes, in individual income taxes and corporation taxes. But opposition from the farm and the labour and other groups was sufficient enough to defeat attempts to introduce the tax both in 1921 and 1922. The sharp drop in the yield of the income tax due to business depression, brought the question again to the forefront in 1932, when the

Treasury recommended a series of taxes on selected articles, with a view to making up the deficit from income tax and balancing the budget. Protests from those businesses that were picked up for taxation were so formidable that the Ways and Means Committee turned its attention hopefully to the introduction of a sales tax of the Canadian type. They contemplated the levy of the tax on the sale of finished goods by manufacturers. But once again the opposition of the farm and labour interests, with their new allies the merchants, was so great that the attempt was as quickly abandoned as it was contemplated. "The House deserted its own committee and decisively rejected the tax. Since then, to the end of 1933, the sales tax has not been in the foreground as a possible source of Federal revenue."[11]

States:—It cannot be said that there had been any widespread movement for sales tax till the beginning of the depression and its effects became visible upon the revenue receipts and expenditure policies of the State Governments; for though the first sales tax act was passed in 1921 by West Virginia it was not followed up by any state till 1929, when Georgia introduced the tax. "Between the end of 1929 and the end of 1933, the introduction of the sales tax wrought a fundamental change in the revenue systems of several states."[12] Five states—Georgia, Kentucky, Missisipi, Pennsylvania and West Virginia—had passed sales tax laws before 1933, while in 1933 alone eleven states adopted such measures for the first time. Two other states which tried to pass similar measures had them defeated at referenda, before collections started. This tremendous expansion of the tax can be ascribed with great truth, as being not so much due to the motive of tax reform as to the severe strain upon the fiscal machinery caused by the depression and the resulting collapse of state revenues with a simultaneously increasing expenditure, partly due to a more liberal policy of unemployment relief and partly due to the starting of more schools. The great fall in local revenues which reduced their capacities to carry out some of the duties assigned to them as that relating to education etc., put a further burden on the states to meet which they could not but resort to new tax resources. Nearly half the number of states and the cities of New York and New Orleans have adopted the sales tax at more or less uniform rates on sales of most articles and services. On January 1, 1937, it was prevalent in 22 states and the two cities mentioned above. Most of these states gave exemptions for such

11. Sales Tax in the American States: R. M. Haig and C. Shoup, p. 7.
12. For principal provisions of recent state sales tax laws, general and administrative provisions, exemptions and dispositions of revenue, etc. see "Sales Taxes in American States," R. M. Haig and C. Shoup.

important items like foodstuffs and adopted only retail sales taxes. The fear that manufacturing and wholesaling concerns might be tempted to migrate to neighbouring states where there was no tax or, only a lighter tax, weighed much with the state authorities in fixing the tax at one point only, namely, retail sales. Naturally enough it was only the retailers who opposed the tax tooth and nail at the time of its introduction in every state; their campaign of opposition, it is said, had assumed a nation-wide aspect. But however vigorous and organised their opposition had been, it had always been a losing one. The proponents consisted of a combination in many cases, almost imperfect, of members of farm groups, teachers' organisations, urban real estate associations, public service corporations and governor and Governmental authorities. The limitations on the scope of the tax base resulted in raising the rate of the tax. It can be said that generally the state sales taxes range in the majority of cases between 2% and 3%. It may be noted here that one state Kentucky tried a new experiment, by introducing the principle of progression in 1930. "The rates began at 1/20 of 1% on gross sales not exceeding $ 400,000 and rose to 1% of the excess of sales over $ 1,000,000." The Supreme Court however declared this law unconstitutional in 1935 and the distinction between a large volume of sales and a small volume was held not to be a reasonable basis to justify the imposition of a progressive sales tax.[13]

More than nearly 1/3 of the revenues is secured from this tax by states adopting rates ranging between 2% and 3%. The total income for all the State Governments from this source, comes to about $ 350,000,000, about 1/7 of all state tax revenue, to which $ 50,000,000 have to be added if the total tax receipts from this tax for all states and local units is to be gathered. Thus $ 400,000,000 is the aggregate income for all states and the 2 cities of New York and New Orleans from this tax, and thus comes to about 6% of the total state and local revenues. It is estimated that the yield of the sales tax occupies 1/30 of all the tax revenues of all governmental units in the country—federal, state and local. It is expected, that but for the unfavourable political reactions to which the tax had been lately subjected, the income of $ 400,000,000 "might be doubled or trebled."[14]

Not all the revenues from this source are utilised by the State Governments themselves. They share the revenues from this tax with the local units. It has been found that in a period when the tendency to share taxes has been slightly decreasing and grants-in-aid

13. Facing the Tax Problem. 20th Cent. Fund p. 183.
14. Facing the Tax Problem: 20th Cent. Fund p. 93.

have been coming into vogue, the local units have been getting increasing shares from sales tax revenues. From 1·3% in 1934 it has increased to 3·3% in 1935 and 18·4% in 1936. Represented in thousands of dollars it comes to 3552,9686 and 79025 in 1934, '35 and '36 respectively.

The tax is separately charged from the consumers in many states. In 15 out of the 22 states and 2 cities the laws provide to that effect. The same practice is followed up by the retailers in other states with the hope that it would by keeping the consumers aware of the fact that they are paying the tax, facilitate the organisation of severe opposition and help its repeal ultimately. To help them in accomplishing this deed, the retailers in America have adopted various tactics.[15] But this practice should not lead one to the conclusion that the incidence of the tax rests uniformly on the consumers in America. The authors of a recent book while dealing with this question warn readers against coming to such a hasty conclusion. They observe, "Separate charging of the tax, so common under retail sales taxes, is no guarantee that the tax is being shifted. A retailer might sell an article at $1·00 for instance, if there were no sales tax, while under a 2% sales tax, he sells it at 0·98 cents plus 2 cents tax ".

In many of the states adopting the tax, the revenues from it are ear-marked for education. Though it seems there is no rhyme or reason in this practice, it is believed to be 'a political device designed to gain support by confusing the issues at stake.'[16]

The administration of the sales tax is being carried on in the American States by special administrative divisions created for that purpose. In some states nearly 2 to 4% of the sales tax revenue is allowed to be spent over the administration, while in some other states "such sums as are necessary" are allowed to be drawn to meet the administrative costs. The authorities concerned with the administration of the tax are invested with wide powers by special statutory enactments. A feature of the administration of the tax which has got a significance and a lesson that should be grasped by every country introducing the tax for the first time deserves to be noted. "There has been a widespread tendency to be lenient with taxpayers for the first few months, but this arises not from any indifference but rather from a studied desire to avoid friction which might imperil future collections and perhaps the very existence of the tax ".[17] The violation of this idea

15. See section on Shifting and Incidence of Taxation, p. 73.
16. Facing the Tax Problem, p. 552-553.
17. Sales Tax in American States, R. M. Haig and Carl Shoup, p. 27.

by some of the narrow minded administrators has led in many cases to disastrous results.

However, it cannot be said that the tax is popular in the states. The opinions of teachers of Public Finance, which is decidedly against it, in the enquiry conducted by the New York State Tax Commission 1936, brings out in a striking way, the attitude of the learned section of society. "Out of 127 professors, responding to the questions asked about the sales tax, the following were the replies:[18]

General Retail Sales Tax (Local) ..	No. 119.
Producers' Sales Tax (Local) ..	No. 119.
Tobacco Tax ..	Yes. 121.
Such luxury taxes as can be practically administered	Yes. 116.

It is expected that though the sales taxes which have been passed are temporary and mostly emergency measures and in eight states scheduled to expire in a year or two, it will remain for several years to come in states that have adopted it. For with the passage of time, the opposition from the bigger merchants will wane, while the smaller retailers can by themselves offer no effective opposition.

A study of the tax in foreign countries will be of no avail, if an attempt is not made to draw out the general tendencies of the tax common to all the countries, that have imposed it. Besides the intrinsic merit involved in that piece of work, such an enquiry will facilitate the comparison of the measure under study, viz., the Madras General Sales Tax Act, with those of other countries. Necessity for great revenue and inability to draw it from the existing sources of taxation or from sources other than the sales tax have been in general the main causes, for its adoption by many countries. In almost all these countries, while the tax was levied for the first time, it was collected at a very low rate. The following table, summarising the statements made in the previous pages, will present the point clearly.

Country		Rate % of the tax.
Germany	..	·5
France	..	1·1
Belgium (Manufacturers' tax)	..	1
Czechoslovakia	..	1
Austria	..	1
Hungary	..	1·5
Canada	..	1
Madras	..	·5

18. Taken from: Facing the Tax Problem, p. 580.

It is unnecessary to point out that our province too has followed the practice of the other countries adopting turnover taxes, by starting with a low rate of tax.

Taxes on services are very common in continental countries. Luxuries also come under the field of taxation; and sales taxes on luxuries extending to more than 10% are common in Europe. But these rates have been constantly changing according to the needs of the state. Over the question of exemptions also a general tendency is noticeable. Many of the countries that have adopted the sales taxes have exempted the food articles, the necessaries of life, from taxation. Exports, the sale of prime necessaries, government enterprise and transactions, and to a certain extent, machinery also are generally not taxed. Here too the Madras General Sales Tax Act compares favourably with the general tendencies noticed in other countries. A rebate of half the tax is granted for exports of manufactured articles for delivery outside the province under our Provincial Act. Government transactions, as well as certain transactions of local bodies[19] are exempt from taxation under this Act. But it is only in the case of exemption of food articles and necessaries of life that our province, rather strangely enough, has not shown any concession. Even when the point was pressed very much, the Government maintained an unfavourable attitude. It is here that the Madras Act has deviated totally from the general policy followed in other countries. Madras Province has not yet copied in full, the practice of imposing luxury taxes on the model of foreign countries, though it cannot be said that it has not proceeded in that direction. If the Electricity, Tobacco, Motor Spirit and Entertainment taxes can be regarded as taxes on luxuries, it becomes evident that our province also has embraced the general principle of levying taxes on luxuries along with turnover tax. A clear point of difference between the Madras General Sales Tax Act and those of foreign countries is, that while some of them tax service also, the Madras measure excludes it. The reason for this divergence is not far to seek; for it is to be found in the Constitution Act itself.

As regards the administration of the tax and other allied questions relating to it, it can be inferred from the foregoing pages that the administration is found to be difficult only in the first few months; later on when the opposition to the measure dies out and some time elapses, the tax becomes an old tax; the administrative work also gets into a routine.

19. The sale of rubbish by municipalities is exempted. It is interesting to note here that the Srirangam Municipality raised the question whether municipalities selling rubbish should be taxed.

It might be regarded as hazarding a guess if it is said that the Madras General Sales Tax also will have a smooth run in course of time. But from the working of the Act in the first 6 months such a remark can be safely made.

These are some of the points on which a comparison between the Madras General Sales Tax and the turnover taxes in other countries can be made. But it is not good to carry comparisons too far. While comparing any two countries in any field of the enquiry care must be always taken to understand the special peculiar features of the country that is being compared. A condemnation of one country on the basis that it has not followed *in toto* the principles and practices of other countries is unwise. Every country should adopt a principle and follow a practice sanctioned by its conditions. If this truth is remembered while comparing the Madras General Sales Tax with the turnover taxes of other countries, there is no ground to condemn the measure for not following practices of other lands. In the light of the above truth, the refusal by the Government to exempt exports as such from taxation[20] and the half-hearted policy of taxing luxuries followed by the government can well be understood as being sanctioned by the special conditions of the province.

20. See Section 6.

Section 4

SALES TAX AND THE GOVERNMENT OF INDIA ACT 1935

When the question of Provincial Finance was taken up along with the question of constitutional changes, the arduous task of setting apart a number of tax heads for the provinces to carry on their autonomous regimes had to be faced. The result of all discussions that followed was the formulation of schedule 7, List II of the Government of India Act of 1935, in which the tax heads of the provinces are enumerated. The Sales Tax (entry 48) is an item in that list and the clause relating to it refers it as a tax " On the sale of goods and on advertisements."

The assignment of the sales tax to the province by the centre has been taken advantage of by many persons to criticise the actions of both the Central and Provincial Governments, on the assumption that the sales tax has been rejected as being unsuited to India by the Taxation Enquiry Committee. The Government of India has often been represented as an unscrupulous mother giving an unwanted thing to its child, while the action of the Province imposing it is criticised as that of a naughty child attempting to do a thing that has been declared to be harmful. But the baselessness of such criticisms becomes evident if one goes through the relevant pages of the Taxation Enquiry Committee Report. Neither the Central Government nor the Provinces need be chastised for their actions. The Taxation Enquiry Committee cannot be said to have made any detailed investigation of the applicability of the tax to India either as a Provincial or Central measure. It has considered only the case of a retail sales tax, as an alternative to the Octroi in connection with Local taxation; and to condemn the sales tax as a whole on the basis of the meagre attention paid to the tax by the Committee would not be wise. The sales tax, as has been pointed out earlier, is employed by many countries and states in all stages of development; and because it was felt that India would not be committing a folly, the tax has been assigned to the province. If India adopts the tax either as a Central or as a Provincial measure, it is only to be taken as an indication of the movement of India along right lines in the field of Public Finance. She is only sailing along the current that has been flowing in the post-war era.

The power to levy " taxes on the sale of goods and advertisements " conferred on the provinces by the constitution, it must be admitted, is very limited in scope. It is only a tax on the sale of goods; taxes

on advertisements are allowed; but there are no references to services. It need not be repeated here that taxes on services too are common in modern states. In many states a tax on the sales of goods and services is levied. But in India, the provinces cannot attempt such a thing, for the mere reason that they are not endowed with such powers. In so far as the tax is restricted to the sale of goods, it must be admitted, that the scope of the tax has been to a considerable extent circumscribed.

With the commencement of working of Provincial Autonomy, the question of expanding the resources of the various provinces to enable the party in power to give effect to its policy—a feature noticeable in many countries of Europe during recent years[1]—became acute. In many provinces rapid retrenchment policies were followed by efforts to raise greater revenues from certain of the existing sources of revenue. But the abolition of excise revenue in some provinces, and the elaborate scheme of public expenditure in others, made it impossible to bridge the gulf between income and expenditure. Hence hasty searches were made to find out new sources of taxation and the provision for a " tax on the sale of goods and on advertisements " in the provincial list of the Constitution Act was attractive. Many provincial governments have embraced it with eagerness.

The C. P. and Berar Government were perhaps the first to put the provision into use. They passed an Act allowing for a tax on the retail sales of motor spirit and lubricants. The validity of the Act was soon questioned. The Government of India held that the above action of the provincial governments was an 'intrusion upon a field of taxation reserved by the Act exclusively for the Federal Legislature.' They contended that the power to levy excise duties, which was exclusively left to them, extended up to the sale of the article, that is, that it may be imposed upon home-produced goods, at any stage, from production to consumption. They further pointed out that the taxes on the sale of commodities are simply taxes on commodities and the provincial levy of a retail sales tax which may fall on motor spirit and lubricants of Indian origin, is a duty of excise, within entry (45) and therefore to that extent *ultra vires* the powers of the provincial legislature. It was argued further that "even if the impugned Act[2] were otherwise within the competence of the Provincial Legislature, it was nevertheless invalid, because the effect of the *non-obstante* clause in S. 100 (1), and *a fortiori* of that clause read with the opening words of S. 100 (3), is to

1. Refer Encyclopaedia Britannica 1939 Year Book, Article on 'Taxation' by Sir Josiah Stamp.

2. Refers to the Provincial Act.

make the federal power prevail if federal and provincial legislative powers overlap." It was declared that while the provinces had power to levy the taxes "commonly known as turnover taxes, which under that name or under the name of sales taxes have since the war proved so successful a fiscal expedient in many countries" they could not without encroaching upon their powers embark on a policy of selective taxation.

It was contended on behalf of the Provincial Government that "an excise duty was a tax on production or manufacture only and that it could not therefore be levied at any later stage." The provinces hence would not give such a wide connotation for the term "excise;" nor would they admit of the power of the Federal Government to levy excises extending up to the stage of consumption of goods. The points involved in the question were highly complicated and His Excellency, the Viceroy, decided to have the question settled by the Federal Court of India. Accordingly the question was referred to the Federal Court. After hearing the arguments of the Government of India, and the Province of C. P. and Berar, and other provinces which were invited to have their say as it was a matter which concerned all of them, the Court decided in favour of the provinces. The Court stuck to the principle that "a general power ought not to be so construed as to make a nullity of a particular power conferred by the same Act and operating in the same field, when by reading the former in a more restricted sense effect can be given to the latter in its ordinary and natural meaning." It remarked that "if the two legislative powers are read in the manner suggested above, there will be no overlapping between them." It clearly laid out that "the central Legislature will have the power to impose duties on excisable articles before they became part of the general stock of the Province, that is to say, at the stage of manufacture or production, and the Provincial legislature an exclusive power to impose a tax on sales thereafter." After pointing out, by way of strengthening its conclusions, that neither precedence (i.e. excise duties levied under the 1919 Constitution Act) nor the existing excises lend support to the contention of the Government of India, it has declared that the Central Provinces and Berar Sales of Motor Spirit and Lubricants Taxation Act, 1938 is not *ultra vires* the Legislature of the Central Provinces and Berar.

This decision of the Federal Court is of great importance as it lays down some important principles on which this provision regarding Sales Tax should be interpreted. It gives out in clear words the meaning of the provision "taxes on the sale of goods" and it has clarified the position of the Provinces regarding the levy of selective sales taxes.[3] This

3. In view of the importance of the judgment, extracts of the same are appended.

decision of the question in favour of the provinces by the Supreme Court in India, has opened a wide field of taxation for them. Other provinces including Madras have enacted similar measures with regard to the same commodities. But it is not the intention here to study all those taxes, that may be called selective sales taxes. Our attention will be confined here to only the Madras General Sales Tax Act.

Section 5

LEGISLATIVE HISTORY OF THE MADRAS MEASURE

The Madras Government was perhaps the first to introduce a general sales tax; no doubt the Bombay Government also proceeded that way but there is much difference between the two measures, the enunciation of which may be deferred to a later section.

The Madras Sales Tax Bill was first published in the *Fort St. George Gazette* of February 28, 1939 for public information. Between the draft bill and the bill that was finally passed by the Legislature there is much difference. A study of the bill in all its 3 stages—as it originally stood, as it came out of the Select Committee, and as it was finally passed by the Legislature—may be highly instructive.

As originally published the bill was a short one of sixteen clauses giving very wide powers to the executive authorities. A notable feature of the bill was the absence of any exemptions. The tax was levied on the turnover of all goods "including all materials, commodities and articles other than those excluded from the scope of the act by a notification by the Provincial Government in the Official Gazette." It was this all inclusive nature of the bill that raised a loud hue and cry and which made the Select Committee include far-reaching exemptions. The rate of levy consisted of 2 slabs and a ½% rate of tax on turnover exceeding Rs. 40,000. Every dealer with a turnover of less than Rs. 10,000 was exempted while the following rates were charged for others:—

	Rs.
(a) If the estimated turnover in the previous year exceeded Rs. 10,000 but did not exceed Rs. 20,000 ..	75
(b) If such turnover exceeded Rs. 20,000 but did not exceed Rs. 40,000 ..	150
(c) If such turnover exceeded Rs. 40,000	One half per cent of the amount of such turnover.

Much opposition was raised against this form of the bill. The whole attack converged round the rates of assessment and the complete absence of exemptions; criticisms were very vehement; protest meetings were held in all parts of the Presidency; deputations were sent which waited upon the Government; the press too to a certain extent carried a tearing

and raging campaign against the measure; hartals were observed; influential men denounced the measure through the press and the platform; in the legislature also when the bill was taken up for the first reading the Government was severly condemned by the Opposition.

The outcome of all this was the appointment of a Select Committee consisting of 15 members of the House including the Chairman, to consider the Madras Sales Tax Bill and report on it. The Committee sat over the question for nearly ten days and finally submitted a report to the House on the 22nd April. It is necessary to mention here that though the Report was to all appearance a unanimous one, yet in reality it was otherwise, for four important members opposed the measure on two grounds:—

(1) "They are against a cumulative turnover tax and favour taxation at one point only; and

(2) they are against the imposition of any rate of taxation above one-eighth per cent."[1]

However, when the bill was taken up by the Select Committee for consideration, very important and far reaching changes were introduced. The work of the Select Committee may be considered under a few heads:—

Changes in definition:—A few changes of great significance were introduced with regard to the definitions of 'dealers,' 'goods' and 'turnover' the important aspects of which will be referred to here. As the Committee was of the opinion that in certain trades dealing with articles of export, it may be more appropriate to levy the tax imposed by this Bill on the persons *to* whom the sales are made than on the persons *by* whom the sales are made, they have thought it desirable to amend the definition of 'dealer' as 'any person who carries on the business of buying or selling goods in the course of trade or commerce therein.[2] Under the new definition of 'goods', stocks and shares and securities are exempted. Following the definition of 'goods' in the Sale of Goods Act, they have also excluded actionable claims from the scope of the expression.[3] The power of exempting articles from the scope of the act that was vested originally in the hands of executive authorities by means of a notification by the Provincial Government in the Official Gazette has been taken away under the new definition of 'goods', as the Committee felt that exemption of any selected goods

1. Select Committee Report, 8.
2. *Ibid* cl. 2. Definition of 'dealer'.
3. *Ibid* cl. 2. Definition of 'goods.'

from the scope of the bill should be provided for by express enactment in the bill itself and not by means of a notification issued by the Executive Government.[4] Apart from modifying the definition of 'turnover' to suit the new definition of dealer, other changes have also been made, which include important concessions for merchants. Any cash or other discount on the price allowed in respect of any sale and any amount refunded in respect of articles returned by customers are not included in the turnover. Accommodation sales, that is, sales made simply to oblige the customers by taking goods from another dealer for immediate disposal, have also been excluded by freeing the former dealer from paying the tax.

Rate of Assessment :—It is in clause 3 of the bill that the Select Committee has effected the most important changes. As has been remarked earlier, the bill as it originally stood contained 2 slabs with fixed rates and only turnover exceeding Rs. 40,000 was subject to ½ percent rate. The Select Committee considering 2 slabs of fixed taxation as unnecessary decided that the percentage basis should apply to all cases where the turnover in a year exceeds Rs. 20,000.[5] The bill was amended thus with one slab and all those dealers whose turnover is between Rs. 10,000 and 20,000 come under it. On this the amount of the tax has been reduced from Rs. 75 as it originally stood, to Rs. 5 per mensem. The original rate of ½% has been retained by the Committee and is operative on turnover exceeding Rs. 20,000.

Question of Exemptions :—Nothing had absorbed the attention of the Select Committee so much as the question of exemptions. What commodities are to be exempted and how are they to be exempted were the chief problems that confronted them. As had been mentioned earlier, the greatest objections as soon as the bill was published were directed to this section of the bill and hence the Select Committee was faced with a very arduous task. The claims of export trade, of necessaries, of particular trades like hides and skins, bullion, etc., were all put before the Committee. After going through the whole problem, the Committee came to the conclusion that exemptions in certain cases may be granted and decided upon adopting different methods in different cases. Total exemption from taxation, taxation at one selected point only and concessions in the rate of assessment in the form of a rebate were the three courses decided upon. Under the first head came 'the sales of bullion and specie, of cotton, of cotton yarn and of any cloth

4. Select Committee Report cl. 2. Definition of 'goods.'
5. Select Committee Report cl. 3.

woven on handlooms and sold by persons dealing exclusively in such cloth.' In the case of export trade, after considering the alternative methods of treatment, they decided not to exempt goods sold for export as such but allowed a rebate of ½ the tax on the sale of finished articles of industrial manufacture for delivery outside the Province. With regard to hides and skins and tanned goods, the Committee adopted the method of taxing at one point only.[6] Apart from these exemptions the Committee found the necessity for exempting from taxation under this Act those commodities that were subject to separate levies under special enactments. Under this heading come all those items mentioned in clause 4 of the Act. In addition to these express provisions for exemptions made by the Select Committee, certain other concessions were also granted under the new definition of the term "turnover", which have been referred to previously. On the whole, considering the work of the Select Committee over this question, one must warmly congratulate them for the great consideration they paid to the various representations made at that time.

Some minor changes:—Apart from such alterations such as the dropping of a few clauses dealing with the comparatively minor question of the officers by whom the tax should in different classes of cases be assessed and the various authorities to whom appeals could be preferred in respect of the assessment of the tax no important change has been made in the bill. A new clause (13) has been included by the Select Committee making it obligatory upon all except very petty dealers carrying on business in any class of goods to show in the accounts maintained by them the value of the goods bought and sold, failing which, they will be required to maintain accounts in such form as may be prescribed in this behalf by the Government. Under the section dealing with penalties the Select Committee has taken care to see that no person is punished for unconscious omissions and mistakes and has made it clear that only wanton or 'wilful' actions should be punished by inserting the term 'wilful' at the proper places.

Though the changes effected by the Select Committee satisfied a great part of the general public, many were still dissatisfied with them and clamoured for more. The same kind of opposition as was indulged in previously was repeated and the Opposition in the Legislatures grew more intense. A large number of amendments, greatly modifying the principle as well as the form of the bill, were tabled when the Bill was taken up for consideration clause by clause. But the Government

6. For details ref. to Madras General Sales Tax (Turnover and Assessment), Rules 15 and 16.

eager to stand by the principle and the form evolved by the Select Committee found itself unable to accept the numerous modifications that were brought forward. In a word, the bill as it was finally passed retained *in toto* the decisions of the Select Committee and beyond some verbal alterations nothing new was accomplished in the houses of the legislature.

Under the Act in the present form, the tax is levied in case of the various assessees only on net turnover after making the necessary deductions from the gross turnover.[7] It may be interesting to note here that in addition to the concessions granted to merchants under the Act, the rules provide for the deduction from the gross turnover of any merchant the duties paid by him in respect of salt to the Central Government.[8] Except in the case of commodities in Rule 4 the tax is levied only on the *sales* of commodities. The special provision in these cases under Rule 4 has been made with a view to bring the foreign buyers of these commodities within the purview of the Act.

The rules provide for two methods of assessment, except in the case of licensed dealers in hides and skins for whom special provisions are made. One method is open only to dealers with a turnover of over Rs. 20,000. Under this method, the dealer is taxed on his actual monthly turnover, which he is expected to submit in respect of each month, before the last day of the next month, in special forms provided for that purpose. The other method consists in asking the merchant to furnish in the form prescribed at the beginning of every year his turnover during the previous year or an estimate of his business during the first twelve months if it is newly started, on the basis of which he is provisionally assessed in the current year. The total tax calculated on that basis is divided by 12 and the monthly instalment of tax payable is fixed, which is to be paid by the merchant in respect of each month before the 10th of the succeeding month. At the end of the year, when the final check is made and the actual net turnover for the year is calculated, the tax is collected on the basis of the actual turnover and any excess found to have been collected is refunded while any amount due is forthwith collected.

The rate of the tax has been subsequently reduced with effect from 1940.[9]

7. See Madras General Sales Tax, (Turnover and Assessment) Rules, No. 5.
8. *Ibid* Rule No. 5 (i).
9. See appendix I.

Section 6

Criticisms Considered

No new measure of taxation is ever received by the tax payers without any comment and it is no wonder that the sales tax of our Province was subject to severe condemnation. Politicians, merchants and legislators lost no time in pointing out its defects; the principle as well as the form of the tax was much criticised.

That the tax was unsuited to India and more so to our Province was a chief point generally raised by all. Somehow or other the sales tax came to be associated in the minds of many with only industrially advanced states. Perhaps the reason is to be found in the imposition of the tax by such countries as Germany, America and Belgium. And the conception of India as a predominantly agricultural country stood in the way of reconciling the sales tax with our country. The more acute and argumentative among this class of critics went still further and exclaimed that the sales tax, in as much as it would raise the cost of production of manufactured articles, would in future handicap our country to a very great extent in this competitive world. Thus it was pointed out that the tax stood in the way of the future development of the country to an industrial stage.

It is difficult to assess how far these contentions are correct. First it can be pointed out that the sales tax is not levied in highly industrialised countries only. Even agricultural countries like Hungary, Poland and the Phillipines have levied the tax. If the tax has been successfully tried in these countries where is the harm in India or any Province in it taking a lesson from them?

Secondly, the latter part of the criticism that the tax would stand in the way of the future industrial development of the country, pre-supposes many things which it is not proper for one to take for granted. If it is said that the new tax would increase the cost of production of articles, it cannot be taken as axiomatic. It will have to be examined whether such a tendency would inevitably follow the levy of the tax and whether such a tendency cannot be avoided. The view that the cost need not necessarily increase but may even fall is also held by some economists. Hence before saying anything definite about the matter it has to be analysed in what ways the increase in cost of production would be brought about and in what other ways could decrease in cost of production be effected.

Increase in cost might be caused by higher prices paid for raw materials and higher wages paid to workers in order to meet the higher cost of living caused by the tax.* It can confidently be said that the tax is not such a heavy one, as to raise the working class cost of living to any appreciable extent as to make them demand higher wages. Wage rise on this account is hence highly improbable. As for the higher cost caused by higher prices paid to raw materials, the question must be studied in relation to the incidence of the tax. It has been found in the course of this practical survey that illiteracy, helplessness, heavy demand for money for revenue and other purposes and lack of combination amongst the producers and lastly the absence of any adequate marketing facilities on a wide scale have all helped the purchasers of these raw materials in shifting the tax on to the heads of the producers and making them bear the incidence of it. Increase in cost of production from this direction also seems improbable. Granting that the prevalent tendency is reversed and it is made probable, one must consider the point raised by a German Economist that the proportion of raw material utilised in the manufactured product is not always constant, that there is always an effort made to lessen the use of the quantity of the costlier material without damage to quality and that these things are being facilitated by modern science. If the tax increases the cost of raw materials, could not this tendency be counteracted by a more economical use of that material? This is a delicate question to be answered straight. The whole thing depends upon the capacity of the organising head of the industry and various other factors. Thus after weighing the arguments in support of and against the criticism, one feels that any dogmatic assertion is highly risky. It would be safe and scientific to observe that while there are probabilities for an increase in the cost of production of manufactured articles in future on account of this tax, there are great possibilities to maintain the *status quo* or even for lessening the cost. Thus while doubt prevails over this issue, much value could not be attached to the assertion that the future industrial progress of India or of our province is barred by the imposition of sales taxes.

There is another class of critics who oppose the measure as regards its form. Almost every clause of the bill is condemned by such critics. Only the more important of their points will be taken here for examination.

The cumulative character of the tax has been generally condemned. As many of the commodities including the necessaries change hands

* Shirras in his Science of Public Finance Vol. II p. 610 remarks that this is a point amongst others which has not always been capable of proof.

many times, in many cases as much as 4 times, it is feared that the prices of commodities would go up by at least 3 or 4 times the tax. Such a rise in price would greatly affect the various stratas of society, especially the lower ones.

This is a legitimate fear and if prices do rise as per our expectation, the tax would only be doing great harm to society. A practical study of the question of incidence has brought out the fact that certain retail dealers refrain from shifting the tax on the heads of consumers, while in the case of many others, though it is their intention to shift the tax, the low unit value of the commodity, small transactions of low value, the lack of combination amongst merchants and various other factors have prevented them from successfully accomplishing their aim. It is only in certain commodities that shifting is rendered possible: whereas in other cases they have to bear the tax. Under such circumstances, to assume that prices would rise uniformly in all cases would amount to shutting one's eyes to the realities.

Certain advantages that the cumulative tax possesses over other forms of sales taxes may be stated here. A cumulative tax is said to be broadbased, and the rate of the tax also may not be very high. But, on the other hand, if a one-point tax is adopted, as the base of taxation is restricted, the rate must be very high which may not be agreeable to public taste. The cumulative tax has the further advantage that in certain places the tax may 'stick on,' without being passed on to the consumers; a highly rated one-point tax is not likely to have the same tendency. These arguments have not been advanced to justify the cumulative tax but are only intended to bring out the merits of this form of the tax over other forms and to show that it is not capable of causing so much harm to society as it is feared it would cause.

But the most important of all these criticisms is the one directed against the inclusion of exports within the orbit of taxation under this Act. It is argued that this inclusion goes against the practice of many European countries which have imposed the tax. But to follow the practices of foreign countries, without considering the question in relation to the peculiar circumstances of our country is not a desirable one. There is much difference between the conditions prevailing in our country and those of other European countries. The former is mainly an agricultural country exporting raw materials while the latter are industrial countries exporting manufactured articles. Exemption of exports from taxation in such cases is justified, as it is the policy of those Governments

to keep the cost of the manufactured articles low. While it is the endeavour of our Central government to conserve the raw materials and slowly industrialise the country, the exemption of exports of raw materials from the General Sales Tax Act by a Provincial Government would run counter to that policy. It is such a collision of policies that must be avoided at any cost. And if the Madras Government had acted in the proper way by not exempting exports as such, its action is not to be condemned.

Section 7

Motive of Sales Taxation

The previous sections would have left the impression in the minds of the readers that the sales tax is one which is adopted only in cases of extreme necessity, that it is a measure of last resort. Its appearance in the fiscal policy of various countries, just after the War and during the depression, has even earned for it the name of a "distress" tax. And one may be tempted to ask what exactly is the reason for its adoption in this Presidency when it has been subjected to no severe calamity that had disturbed the equilibrium of its budget and when the province was fairly off the depression. This chapter is devoted to discover the true answer for such a legitimate question.

From the speeches and articles on the subject at the time of the imposition of the tax, it is possible to tabulate 4 causes, which have been individually advanced by different persons as being the cause of the levy. The tax had been imposed,

1. to balance the budget which had a deficit of Rs. 17 lakhs,
2. to equalise the burden of taxation of the various sections of society or as is commonly claimed, to shift the burden of taxation from country to town,
3. to balance the trade of the Province and
4. to carry out the policy of Prohibition.

It is to be seen whether such imputation of motives as these could be justified.

Proceeding in the order given above, it is very doubtful whether the first reason could have ever acted as the sole motive for the levy of such a contentious measure. Modern tendency in budgeting does not seem to be the balancing of the budget every year but balancing the budget for a certain period. In the light of this tendency, it would not be correct to attribute this levy to the craze of a finance minister to see a balanced budget. On the assumption that theory might have been relegated to the background in the face of pressing needs, it needs to be brought out clearly that the deficit is so small, that if it was balancing that was desired, it could have been achieved by floating an attractive loan or by resorting to a milder form of other taxes, as was actually done. These arguments are sufficient to show besides pronouncements made to the contrary, that the balancing motive, if we can call it so, could not give a satisfactory explanation.

The second objective, i.e., to equalise the tax burden among the various classes of the country by taxing merchants who, it is alleged, have escaped paying their due share of the tax burden is doubtful of realisation. Is the sales tax the only means to correct this defect? Are there not less contentious measures than this one ? Again what is the relationship between the grades in the tax fixed and the tax burden of the various sections of traders ? These questions going to the fundamentals of the problem must naturally reveal the truth that if it was proper adjustment of the tax burden that was the only aim, the sales tax in the present form is a very bad choice and its selection had motives other than the one declared openly. The Taxation Enquiry Committee which analysed the question of the tax burden and devised measures to rectify the existing inequality, had not suggested the sales tax as a remedy, but had only recommended a more extensive and efficient administration of circumstances and property taxes, a higher rate of profession tax, probate duties and a steepening of the graduation of the income tax, (together with increases in local taxation) to be levied on merchants. Apart from the lack of approval by this expert body, the complete absence of any relationship between the rate of assessment and the ability of the various classes of traders, is a sufficient proof to show that the sales tax had never been intended as a corrective for the inequalities in the tax burden among the various sections of traders and hence among the various sections of society.

Surely along with the exemption of necessaries from taxation, there ought to have been more gradations both in the slab rate and in the percentage rate if any adjustment of the burden was the aim. A uniform rate of the tax on turnover, could never be expected to shape the tax burden according to one's desire and more so according to the accepted canons of sound finance. Practically also, there are great impediments in the way of the tax achieving proper adjustment of tax burden. Such an assertion rests on a peculiar theory of incidence, which is very often violated in practice. It cannot always be asserted that the tax sticks to the place where it is applied, and is not passed on to the heads of consumers. The merchants always try to pass on the tax to the purchasers. The shifting of the tax is governed by several factors that it is not possible to say anything definite regarding its incidence.

The third claim stands to be analysed.[1] It has been proclaimed, with the support of sufficient figures, that the province has been experiencing in recent years an adverse balance of trade and that the sales tax has been imposed to check this tendency and improve the trade position

1. Madras Legislative Assembly Debates Vol. XII, No. 8 p. 544.

of the province. It must be examined whether this motive is theoretically desirable and feasible. However desirable it may be for the country as a whole to balance its trade, it is not sensible that the individual units of the country should have the same aim. If one province tries to balance its trade by adopting such measures as these, every other province would try to restrict the products of other provinces from coming into it. The result of this policy would be that inter-provincial trade would be stifled. Free flow of trade and commerce between the various provinces would be greatly hampered. Each province would try to produce within itself all that it requires; there will be diversification of capital and labour of all forms from the most profitable enterprises to the less profitable ones; the previously established division of labour would be seriously disturbed; and the national income of the country and every province would fall, in the short period at least. These would be the catastrophic results of this planless drive for self-sufficiency. The defect of the principle could be more glaringly demonstrated if the point is carried still further. Let each district in the province, each taluk and each village adopt the same principle by which their trade is to be guided. What a harmful idea it is for each village to balance its trade ? What a sacrifice would that policy impose on its inhabitants ? Further, is there no alternative to the sales tax, for balancing the trade of the province? If tariffs could not be imposed by the province, could not the system of bounties be tried? Besides, it is also doubtful whether the sales tax would be capable of balancing the trade of the province because of the uncertain nature of the incidence of the tax even if it is imposed. Anyhow, it seems that balancing the trade of the province was not so important a motive as the one to find money to finance the scheme of prohibition.

Thus it is to be understood that the introduction of the sales tax in our province is to be attributed more to the policy of prohibition, than to any of the other motives.

Section 8

THE BOMBAY SALES TAX ACT 1939

The Finance Minister, the Hon'ble Mr. A. B. Latthe introduced the Bombay Sales Tax Bill on the 30th March 1939, in the Bombay Legislative Assembly. Though the Act by its title leaves the impression that it is also a general sales tax Act, it cannot be said that it is really so. It can be remarked without diverging from truth, that it resembles more a form of selective sales tax Act or a retail sales tax Act.

A few important features of the Bombay Sales Tax Act may be mentioned here. Firstly, in contrast to the Madras measure, the tax in Bombay is not levied at the time of every transaction but only at one point. For there is an explicit provision that though the tax may be levied on the sale of any kind of goods specified in the schedule, at such stage between their manufacture, production or import, as the case may be, and their consumption, such tax shall not be levied on the sale of any goods at more than one such stage.[1] By rule 13 of the Bombay Motor Spirit Sales Tax Rules, the tax is levied on every retail dealer. The proviso to that section also brings any trader purchasing motor spirit for resale or consumption within the ambit of the tax. Secondly, the rate of the tax is rather high, the maximum rate allowed being 6¼% on the value of the sale of goods. This is in striking contrast to the Madras Act where the original rate was only about 1 pie in the rupee or ½%. Thirdly, the Bombay measure, is considered by many, as only a preliminary step to the introduction of a more comprehensive measure and as such is not a final measure introducing sales tax. The most important feature of the measure is that every trader carrying on business in the sale or purchase of any kind of goods specified in the schedule is forced to obtain a licence from the Collector for carrying on such trade in respect of each shop or place of business.[2] Even a hawker cannot escape taking out a licence, whatever may be the area of his operation. It is also provided that no trader shall carry on business in the sale or purchase of any kind of goods specified in the schedule without holding a licence (Section 8). Any violation of this section is severely punishable with fine which may extend to two thousand rupees. Further, the licences taken may be suspended or cancelled by the Collector

1. Section 3, Bombay Sales Tax Act, 1939.
2. Sections 6, 1 and 2, Bombay Sales Tax Act, 1939.

for default of payment of tax or any breach of any of the conditions subject to which the licence is granted, and for any contravention of the provisions of the sections of the Act relating to maintenance of accounts. This clear linking of the life of the licence with the maintenance of proper accounts must produce a wholesome effect; the Madras Act suffers much for want of such a clear provision. Under the Madras Act there is only a rule[3] that the licences issued can be cancelled for violation of any of the provisions of the Act; this provision is very rarely put into use, for it is learnt that though the agents and a few other licencees have been noted for their incorrect accounts, their licenses have not been withdrawn in this district. The introduction of a provision similar to that in the Bombay Act, may improve the Madras General Sales Tax Act very much and serve as an effective check over a few methods of tax evasion. Fourthly, the Bombay Act does not allow the same latitude for the merchants as regards account keeping as the Madras Act does. The Act lays down that every trader carrying on business in the sale or purchase of any kind of goods specified in the schedule shall keep and maintain accounts in the form prescribed of the value of goods (manufactured, produced or import).[4] The Madras measure while dealing with this question merely mentions that every dealer and person licensed under section 8 (of the Act) shall keep and maintain true and correct accounts showing the value of goods sold and bought by him; and it is only in such cases where the accounts maintained in the ordinary course do not show the same in an intelligible form that they will be forced to maintain true and correct accounts in such form as may be prescribed.[5] Failure to keep accounts in the manner prescribed is liable for a heavy fine extending upto Rs. 500 under the Bombay Act. Fifthly, the Bombay measure must be said as giving very wide rule-making powers to the executive authorities.[6] Even the rate of the tax is left to be fixed by the rule; the Act merely prescribes the maximum rate that should be levied which is 6¼% or 1 anna in the rupee. In fact, an amendment moved by an honourable member of the House that the rules framed by the Government for giving effect to the provisions of the Bill, should be placed before the Assembly, was defeated. The Finance Member replying argued, "that it would not be opposed to the principles of democracy if a responsible Government should frame its own rules, for giving effect to the provisions of a legislation."

3. Rule 8, Madras General Sales Tax Rules.
4. Section 10, Bombay Sales Tax Act, 1939.
5. Section 13, Madras General Sales Tax Act 1939.
6. The rules need only be published in the Provincial Gazette and not placed before the legislature as in Madras.

Even with regard to the motive of the levy, there seems to be a difference between these two provinces. Even though Bombay stands to lose as much of excise revenue as Madras on account of Prohibition, and has greater justification in levying new taxes, because of its more rapid or suddenly accelerated policy of Prohibition and had consequently to incur as much as 1½ crores of loss of revenue in the first year itself, the tax is said to be more the outcome of a policy of rural development than that of Prohibition. It was also remarked in the legislature by the finance minister, while replying to the debate on the bill, "that a section of the house seemed to be under a misapprehension that the fund sought to be raised by the tax, was needed for the purposes of prohibition. The amount of Rs. 35 lakhs to be raised by the sales tax was intended to be utilised for rural development."[7]

It cannot be said that the Bombay Sales Tax Act is as comprehensive as the Madras General Sales Tax Act. The commodities taxable under the Bombay Act are only two in numbers which are mentioned in the schedule. They are motor spirit, and manufactured cloth, mechanically produced in Bombay or imported, and silk yarn, including artificial yarn and cloth made of such yarn. It need not be mentioned that in Madras the Act covers very nearly and virtually all goods. Besides this, there is a large difference in rate and in the mode of assessment, which have been enumerated above. These differences go a good deal to give the credit to Madras for having discovered a proper form of a new source of revenue, capable of covering up the present as well as expected future deficits, without causing any annoyance to the taxpayers.

7. Indian Annual Register, 1939, vol. 1, January—June.

Section 9

ADMINISTRATION OF THE MADRAS GENERAL SALES TAX

The tax is administered in every district by the Commercial Tax Department working under the Commercial Tax Officer appointed by the Provincial Government and the Deputy Commercial Tax Officer and Assistant Commercial Tax Officers working under him and appointed by the District Collector. The Commercial Tax Officers are responsible for the efficient administration of the Act and their chief work is of a supervising nature. By extensive tours, they keep themselves in constant touch with the work of the Deputy and Assistant Commercial Tax Officers and guide them whenever necessary. They are the appellate authorities under rule 13 of the General Sales Tax Rules; and under rule 14 (2) of the same set of rules they are authorised to exercise powers of revision. Any difficulty experienced in the matter of assessment or any other difficulty felt in the working of the Act is brought to the notice of the Commercial Tax Officer for his advice and guidance.

The assessment of dealers as well as the issue of licences are the work of the Deputy and Assistant Commercial Tax Officers, along with auditing of accounts which also is to be done by them; the collection of the tax is entrusted to the bill collectors and village headmen. Sometimes the Assistant Commercial Tax Officers also do a little of the collection work. As the Bill Collectors are employed only sparingly, the greater part of the collection work falls upon the shoulders of the village headmen. This has resulted in some parts in the village headman being apathetic towards the work, and the impossibility of getting into direct touch with them by the tax authorities has rendered their position rather helpless. It is hoped that in course of time, the village headman would begin to consider this work as part of their routine and would not give room for such accusations of indifference or negligence with which they are charged to-day.

It may be noted here that most of these officers have not been given any commercial training, as they have been recruited in most cases either from the Excise Department or from the lower ranks of the Judiciary. Though it is learnt from enquiries that they feel no difficulty in carrying on their work of auditing etc., it is felt, a course of training in commercial subjects would greatly facilitate their work. It is also interesting to note here that Merchants' Chambers of Commerce in certain places have also passed resolutions to that effect.

Section 10

ACCOUNTS AND ACCOUNTS CHECKING (AUDITING)

The successful working of the Act depends solely on the proper checking of accounts and any imperfections found in the execution of this most important duty may lead to the frustration of the object for which the Act was enacted. Hence the greatest care should be directed towards this question and efforts should not be slackened to devise measures to introduce perfection in the work in all possible ways as quickly as posible.

But before describing the actual manner of checking accounts practised by the tax collecting authorities let us examine the nature of the accounts maintained by the merchants and their mentality in the matter of showing them to the tax collecting authorities.

Types of account of Merchants.—There are various types of accounts kept by the merchants which fall under the following category:—

1. Rough 'Kuripu.'
2. Fair 'Kuripu' (Journal)
3. Purchase and Sales Book
4. Ledger

A word about each of these accounts is necessary to indicate their usefulness to the merchants.

Rough 'Kuripu'.—This is an account maintained by the merchants wherein all daily transactions are noted in a rough and ready fashion. The merchant keeps this account mainly to aid him in his memory of things. He never has recourse to this account when once he has copied it in his fair Kuripu and carried it on in his purchase and sales book.

Fair 'Kuripu' (Journal).—This is the same as the previous one but for this fact that here the transactions are arranged neatly and in the proper manner. As the merchants are in the habit of entering their daily transactions in the ledger only at the close of the day's business or sometimes even after the lapse of a few days or weeks, these entries are of invaluable use to them. It may also be pointed out here that not all merchants keep this fair 'kuripu'; it is only a few dealers who keep this fair 'Kuripu'.

Purchase and Sales Book.—This is the same thing as what is sometimes known in English as trading account. This is the most important

account book both for the merchants and the tax authorities. In this account all purchases made by the dealer within the year he is following, as well as the sales effected by him are noted down. This account is complete in itself as it brings in all kinds of purchases made by the dealer and all sales effected by him, whether cash or credit. At the end of the year the merchant takes account of his stock and after comparing it with his purchases and sales accounts realises his position in the business. As this is the account book which reveals to the dealer whether he is working on profit or loss all merchants are very careful in keeping this account book in correct form. Even before the Act came into force this account book was maintained by the merchants.

Ledger.—This is only a register kept for the convenience of the merchant in which all entries regarding lending of cash and credit transactions are put in against the name of each person in the page alloted to him; and this is of great help to the tax authorities in finding out the persons doing business under "Vasakkattu" accounts.

These are the 3 or 4 important types of account books maintained by the merchants and available for the perusal of the tax authorities, and each one of these registers is useful in the actual checking of accounts by the authorities. "The Kuripu" is often verified with the purchase and the sales book and the ledger also is compared with the same. While the purchase and sales book form the main source of information the others serve as correctives.

Besides these mentioned above, the merchants are now asked to keep purchase vouchers and sale receipts. With regard to the preservation of the first the merchants feel no difficulty, for they file them up together usually in a long iron rod and hang it in a corner of their shop. It is only in maintaining the sales receipts that certain merchants feel the difficulty, for they could not afford to have receipt books with duplicate forms. Such cases are not severely dealt with; but all merchants are compelled to keep vouchers of purchases. The importance of these two kinds of bills should not be minimised as they serve to check certain new tendencies of evasion.[1] The purchase vouchers are compared with the trading account and, where sales receipts are available, they are also utilised for comparison with the sale accounts shown in the same.

It is learnt that the merchants feel no special difficulty in keeping up the accounts. It does not cause them any annoyance nor do they feel it irksome. Even if they had felt any difficulty in the beginning, as

1. Refer page 69 relating to Omission of cash sales.

the smaller dealers admitted they felt, they had now become accustomed to it. Talks with the merchants had made it clear that they feel no difficulty in keeping accounts.

Special attention was paid during the course of the enquiry to learn whether the merchants had to incur extra expenditure by employing accountants or special accountants in order to maintain accounts. In the majority of cases, the answer has always been in the negative. They frankly admitted that they had been keeping accounts even before the enactment of the Act, and as the Act had not stipulated any special rule with regard to account keeping with which they may be unaccustomed, they had no cause for incurring any new expenses on that account. But special cases had been noticed where special or extra expenses had to be incurred by merchants. Wherever the accounts had been maintained in vernacular languages unknown to the tax authorities, a translation of the accounts in English or one of the languages known to the tax authorities had been insisted upon, and this had caused them some extra expenses. The difficulty could be easily solved by a judicious scheme of appointments and transfers by which a Tamilian or Andhra finds a place in his own district or in places where such languages are largely used. But as this policy, may cause some administrative difficulties, and may even lead to abuses on certain occasions, some other solution must be evolved. This consists in enforcing the tax authorities to learn the rudiments of the vernacular languages of the Presidency. Scales of pay commensurate with qualification would be a sufficient inducement to assure success for the scheme.

Further, the merchants are not reluctant to show the account books to the tax collecting authorities. The information gathered from a few officers of the Commercial Tax Department had only gone to prove that the merchants bring their account books as soon as they are called for. Hence it seems to the writers that fears entertained at the beginning of the Act that merchants would not like their accounts to be submitted to others for scrutiny, is born out of a wrong understanding of the psychology of the merchants. The merchants are quite ready to abide by the rules and regulations ordinarily, but grudge doing so only when they are called upon to submit accounts at improper times and places and wait at the office for unreasonable hours. It must also be said to the credit of the tax authorities that they try to adjust their time as much as possible to the convenience of the merchants.

Quality of accounts kept by different classes of merchants :—Of the various classes of merchants, dealers and commission agents, and of the various classes of dealers, that is, those with a turnover between Rs. 10,000

and 20,000 and above 20,000, an effort was made to gather some idea regarding the quality of accounts kept by them. It was noticed that intelligible accounts were kept only by a certain class of merchants, whereas in the case of others the tax authorities had to spend some time and effort to understand the accounts. A more correct idea could be obtained as to the classes of dealers keeping intelligible and non-intelligible accounts, if they are divided into those who are income tax assessees and non-income tax assessees. In the former case, as they had been trained and insisted upon to keep proper accounts, they are considered to maintain good and intelligible accounts. The others are yet to cultivate the habit of maintaining proper and intelligible accounts and it is hoped that with the passage of time, this defect too would be rectified. For the same reason, mistakes in the account books of the former class are less numerous than in the latter class. But it must be said that even these mistakes, in most cases, are only accidental and not wilful. Only mistakes in totalling or adding have been noticed. Even when other and more serious omissions had been found out, the merchants were only too ready to have them corrected.

Amongst the commission agents and brokers many have just begun to keep correct accounts, especially those who were formerly known as paddy brokers. These paddy brokers as they had no place of business, but did only commission business (according to them) by taking over cart-loads of paddy and delivering them at the mills without retaining them in any place for any time under their custody, had not been in the habit of keeping regular accounts of their business transactions. Once they are declared as 'dealers' and assessed on their turnover under this Act, they are compelled to keep proper accounts, just like other dealers, which they do, of course grudgingly. The other agents, viz., commission agents, maintain good accounts but serious mistakes occur on account of the 'forward sales' indulged in by them. The agents who adopt these methods are said to be easily detected by any vigilant tax officer. Apart from this type of mistake to which they are easily susceptible, they are found to maintain accounts in a proper manner and to a degree comparable with other dealers.

While these are some of the features of accounts maintained by merchants in general, special mention must be made of the Mahomedans and the Kallakurichi Comutis as regards their accounts; while the former deserve all praise for the superfine accounts maintained by them the latter stand to be condemned for keeping incorrect accounts. Their accounts have not been considered to be accurate and free from flaws for which they have been compounded on a few occasions. But it is hoped that this class of people too would reform themselves soon, in view of the stricter punishments that would be enforced on them in future.

Auditing.—This process of checking accounts consists of really two types of verifications, which may be called direct and indirect checking. Indirect checking is also called cross checking. On the whole the entire process is a very laborious one for the satisfactory execution of which an uncommon degree of patience and coolness on the part of the authorities is absolutely necessary. The merchants of Cuddalore confessed without any reserve that the authorities of the place were very kind to them even when they had committed mistakes in accounting and, if the same good-will prevails between the two parties in other places also, there is no cause to fear that serious bickerings would result between them.

The Deputy Commercial Tax Officer and the Assistant Commercial Tax Officers who are on tour for the major part of the month usually try to check the accounts of merchants coming under their jurisdiction as far as possible in the merchants' own places. It is only in the cases of merchants who have their places of dealings at the headquarters of the Officer himself that they are asked to bring their accounts to the office of the authority concerned. The merchant is made to bring his 'Kuripu,' Purchase and Sales book, and other bills and vouchers, relating to sales and purchases. It is felt by the tax authorities as almost a Herculean task to verify whether all the the bills of purchase and sales are carried into the purchase and sales book. Only certain big items are generally selected and checked and if there are discrepancies, the tax authority makes it a point to verify the whole account. Sometimes the tax authorities also make a note of such dealers to help them in the verification of accounts in future. Explanations are asked for the discrepancies and, if what are offered are satisfactory, the dealer escapes without punishments; otherwise he is made to pay a fine.

This is only the preliminary checking; there are other methods more elaborate but more secret. These are mostly departmental enquiries. Whenever a dealer shows a purchase or sales receipt for any big sum, such attractive figures are noted down by the tax authorities and then referred to the Officer of that particular place from where it has been bought or to which it has been sold. The tax authorities in that place take this question on hand and verify whether that particular item is entered correctly, in the purchase or the sales account, as the case may be, of the dealer of that place. Information regarding the results of the inquiry is sent to the office that enquired. In cases where there are differences, the whole question is taken up again for consideration at the time of final checking or even before and the offender is punished.

Even apart from this, the verification is done with the help of a third source. The previous method would fail to give correct informa-

tion if there had been perfect understanding between the two dealers in the different places, as to what items should be brought in the purchase and sales book and as to how it should be manipulated. In order to safeguard against such extreme cases, the third manner of checking is usually done without the knowledge of either the seller or purchaser, by the tax officer availing himself of the records kept at the Parcels Office at the Railway Stations. Important items of less straight-forward dealers and big bookings are noted down and then verified in the ledger accounts of both the seller and the purchaser. This system of verification though it would yield very reliable results could not be carried out to perfection owing to inadequate staff in the various centres. The Tax Officers alone who could do such intelligent investigations have been overburdened with so much of clerical and routine work, that they are unable to carry out such necessary and important investigations as often as possible. But if the tax officers are relieved of such of their routine work and provided with clerks to assist them in their auditing, they could do a great piece of work this way and discover systematised, polished and well executed modes of tax evasion based on perfect understanding between the two parties, purchasers and sellers.

In the case of groundnut dealers in this district, verification is done with the help of Groundnut Marketing Committees also. These committees furnish very reliable information as regards purchases and sales of groundnut by dealers and commission agents. The utility of the committees would be greater if some more committees are organised with regard to other commodities also. According to the Act and the rules under which they are functioning, every dealer coming within their jurisdiction is compelled to submit a daily return of his purchases and sales. Whenever they suspect the accounts submitted to them by the dealers, the tax authorities call for more information from these committees.

These are the various ways in which the checking of accounts is accomplished. As has been mentioned earlier, there is a dire necessity to perfect this important work for which cross checking has to be done more elaborately. This would mean again an expansion of the technically qualified staff. It need not be mentioned that the present policy followed here with a view to minimising the cost of administration of this new tax, must give place to a better one.

Section 11

Certain Difficulties

It is but natural that difficulties should be experienced during the first few months of the working of any Act as it takes really a considerable time for a routine to be established. Most of the problems that have risen in connection with the Act under consideration are connected with the question of assessment and only a few others with other questions. While by the process of time many of these have been solved, still a few exist over which decisions are yet to be taken.

Assessment of Agents.—The problem of dealing with the agent has given the greatest trouble to the Department. If there is a serious omission in the Act, it has to be found in the absence of the definition of agents. The authorities have therefore to be guided by nothing more than their own ideas of the business of the agents and whenever the agents run counter to the views held by them, it is difficult for the authorities to deal with them. The agent carries on business in the mofussil centres on behalf of his principal for which he receives a commission. For being the agent of a principal dealer, he has to enter into an agreement with him, oral or written, which he is expected to observe but he generally does not. For all purposes he is considered an agent only so long as he observes these terms of contract and ceases to be one when he breaks them. The difficulty experienced by the tax authorities begins only when the agent breaks his terms of agreement with his principal. So long as he observes the terms of the contract, and is an agent in principle and in practice, his sales are exempted from taxation by the licence taken by him under section 8 of the Act. But how is he to be assessed when he behaves contrary to the principles of his agency is the question that the authorities have to face.

Occasions when the agent breaks his principles are too numerous and the manner in which he does so are also too various. The commonest type of violation is found in the '*forward sales*' that are contracted. This consists in showing sales for larger amounts than real sales in the principal's account, while retailing the difference on hand with a view to selling them during the times of increased prices. This tendency the agents evince at all times when there are symptoms of rising prices. The extra profits realised this way are not credited to the principal's account, but are taken away by the agent himself. The agent's accounts to the principal are manipulated to show that he has

sold the commodity only at the stipulated rate whereas he has really sold it at a price higher than the contractual price. This is a case of the violation of the terms of the contract by the agents and the problem of how they are to be assessed under such cases has given considerable trouble. Now, the procedure adopted is that whenever the terms of the contract entered into by the agents with their principals are broken in the matter of price, the agents are taxed as 'dealers.' The argument advanced in support of this practice is that when once the agent stocks goods on his own responsibility and is ready to monopolise the profits or to meet the loss, he acquires a right over the property and hence becomes a dealer and should therefore be assessed just as a 'dealer'.

While the violation in this matter has been settled, there are certain other cases of doubt which have not yet been cleared. Some agents try to tamper with the *quantity* of the product. This tendency has been noticeable in the case of kerosene agents who draw out a quantity of kerosene from the backside of the sealed tin by making a small hole which is sealed again after the process is over. This is also a violation of the contract by the agent, for though the tin is sold at the contractual price, the quantity to be delivered is reduced by the agent without the knowledge of the principal. A smiliar type of violation exists when the agents get the quantity in bulk and sell it in undersized tins. Some agents collect extra sums in addition to the agreed price in the name of transport and other incidental charges which they are not expected to collect under the terms of their agency. Some others even go to the extent of collecting the sales tax even though they are not assessed under this Act. How are these cases to be assessed is a matter of difficulty encountered in the course of the working of the Act. Sometimes agents are obliged to sell at a higher price whenever they transact business with their sub-agents or wholesalers on credit. In these cases he charges a higher price to cover the risk and interest charges involved in the credit transaction, though he submits accounts to his principal at the agreed rate and makes up the deficit in cash at the time of remittance of money from his own purse. There are other cases where the agents sell the commodity at a price less than the agreed price by foregoing a certain portion of the commission he gets as the sub-agent or wholesaler pays him ready cash. Though it seems justifiable in these cases that he should charge a higher or lower price as the case may be, to cover himself against any risk or to show some concession to dealers in cash, as these actions seem to give him a title over the property which he does not possess as an agent, doubts are entertained as to how the agents are to be assessed under such circumstances.

The reasons for the difficulties experienced in these doubtful cases are to be found only in the serious omission of the definition of the term 'agent' in the Act. If a comprehensive definition, covering up the activities and duties of the agent is drawn up leaving no room for doubts to arise, it is hoped that many of the questions left unsolved would be properly solved.

The case of paddy brokers.—The case of paddy brokers calls for special consideration as they have been another source of friction in the smooth working of the Act. These persons wish to pass off as commission agents, and escape paying the tax whereas they are really dealers, as a description of their business would show. In and around Chidambaram a large number of paddy brokers regularly supply paddy to the mills in that area. The mills advance them cash with which they purchase paddy in the villages on their own account. They take samples of this paddy to the various mills in the locality and after noting the prices they are willing to pay, dispose it off to the highest bidder. Being themselves men with very meagre resources, they do the business on the money advanced by the mills, and on that score claim they are the agents of these mills. But when the mills are questioned if they would admit the paddy brokers as their agents they refuse to have any other relationship with them save that involved in advancing cash and realising it as they please, in cash or kind. Virtually beyond the bonds of a debtor and creditor, the mills would have nothing else to do with the agents. In such circumstances the position of the brokers is rendered anamalous. However, it must be noted that they purchase paddy on their own account, acquire the right of property over such goods, and also run the risk of incurring a loss in the course of their transactions. These things which are only the marks of an independent dealer bring them under the definition of 'dealer' and they are now accordingly taxed under that head. The same problem is also noticed in the case of certain merchants connected with the marketing of groundnut at Cuddalore. They buy groundnut, sort them into different grades, sell them at a price higher than the cost price, but still peculiarly claim to be only middlemen or agents who do nothing more than merely transfer the produce from one hand to another. But such cases have been classified not as agents but as regular dealers on account of their intermediate business of mixing and grading and selling the produce at a difference over the cost price.

In both these cases the assessees have found it rather difficult to approve of the treatment meted out to them and hence try to give as much of trouble as possible, while the authorities try to trace them out for realising the amount of the tax. The authorities are subjected

to many difficulties in this work, as the information available from the mills is in some cases not helpful and complete. The very fact that only 25 out of the nearly 65 paddy brokers in the district of Cuddalore have been assessed so far is sufficient proof of the enormity of trouble, difficulties and delay involved in bringing them under the orbit of taxation. These administrative difficulties, it is feared, will grow in future. They can be got over only in course of time by instilling into the minds of these persons the responsibilities they owe the state, by making them tax conscious and by imposing heavy penalties on those obstinate cases of refusal to pay the tax.

Assessment of Seasonal Traders.—Another difficulty experienced in the working of the Act is connected with the assessment of the seasonal traders. These as their very name implies are engaged in business for only a certain number of months in the year and suspend business for the rest of the year to be started again the next year at the proper season. No difficulty arises amongst the dealers of this class with a turnover of over Rs. 20,000 as they pay the tax at a certain percentage rate. It is only in the case of those who are assessed under the slab rate that the difficulty is experienced. The taxpayers under this clause have to pay (Rs. 5 formerly) Rs. 4 a month which they refuse to pay during the months when they are doing no business. They contend that they have *"stopped"* business and as, by the Act, a tax has to be paid on the sale effected "in the course of trade or business" they argue that the tax need not be paid when the trade or business is stopped. *Prima facie* their contention is wrong, for they have not stopped the business altogether but only *suspended* it to be resumed later on in the next year. As such they should be made to pay during all months even though it goes against common sense and fairplay and the canon of convenience that one should be made to pay a tax when he is deriving no income out of which he could pay it. But if their contentions are accepted and they are exempted it would create an anamoly in the Act, for a dealer doing business for Rs. 19,000 in two months will be liable to pay only Rs. 8 whereas one doing business for a pie more than Rs. 20,000 has to pay Rs. 50 per year. Hence care must be taken to see that such anamolies do not creep in. A compromise out of these two ways of assessment has to be struck according to which they should be taxed. It seems that the seasonal traders in as much as they differ from regular traders by a wide margin should be dealt with separately in the Act. It is felt that the Act itself could be suitably enlarged, if necessary, by introducing a new clause to deal with them.

Cases of Non-assessees collecting the tax.—There are many in these parts who though they are not assessed under the General Sales

Tax Act do not refrain from collecting the tax on their sales from the customers. Such people even after repeated warnings by the tax authorities are said to be very persistent in this wholly condemnatory action. Such cases are encouraged to grow in numbers in view of the lukewarm policy followed by the officials in taking action against them. On their part the authorities are unable to take any action as there is no provision in the Act to deal with such cases. To take proper action it is necessary that suitable modifications should be made in the Act or rules to put an end to such undesirable and improper actions of certain greedy merchants.

Section 12

Double Taxation

Even while the Madras General Sales Tax Bill was on the anvil of the legislature, it was feared that owing to complexities of trade, cases of double taxation might creep in and hence a certain section of the legislature thought it fit and necessary to enact an explicit provision in the body of the bill, to guard against the occurrence of such evils. The result was the proviso to clause 3 (1) which said "that in respect of the same transaction of sale, the buyer and the seller shall not both be taxed, but only one of them, as shall be determined by the rules made in this behalf under subsection (2), shall be taxed thereon, and (2) that, when the amount for which any goods were bought by a dealer has been included in his turnover, the amount for which the same goods were sold by him shall not be included in his turnover, for the purposes of this Act." Thus while care was taken to provide against complexities of trade leading to double taxation, the complexities of the Act itself have led to such a practice. The difficulty arises out of the policy followed in taxing the purchase amount in the case of a few commodities which are groundnut, leaf tobacco, cashew etc.* In many cases the buyers of these commodities in the local markets, effect the purchases with a view to converting them into their finished products and selling them at increased prices in the market. In addition to paying a tax on the purchases of these commodities, the dealers are taxed again on the sales of the finished products, which they represent is a clear case of double taxation and from which they should be exempted.

How far is it correct to regard this practice as an instance of double taxation is rather a debatable point. Strictly speaking a case of double taxation may be said to occur here, if the same person is taxed twice, once on the purchase of the commodity and another time on the sale of the same commodity. The merchants contend that it is nothing but a case of double taxation pure and simple as they are taxed once while they purchase the commodity and again when they sell the product of the same commodity. They further point out that the term 'same goods' in section 3 (1) includes the different varieties of goods manu-

* The Madras General Sales Tax Act (Turnover and Assessment) Rules, Section 4, Sub-section 2; 1939.

factured from the original goods without the addition of any other extraneous goods and as in the cases under observation, no extraneous goods are employed, the final product being only a variety of the original product, should be exempt from taxation. But the other view is that dealers are not taxed on the sale of the same commodity, but only on the product of it, whose physical and chemical properties are so different from those of the original commodity that they form a different commodity by themselves and hence liable to taxation. It is said that it should not therefore be construed as a case of double taxation. The merchants rather feel it difficult to reconcile themselves with this view and still hold that they are being unjustly taxed twice, and there seems to be a certain amount of truth in their statement also. For it is not the commodities that pay the tax but only the persons who deal in them; and if the same person is asked to pay twice, the merchants who are more practically minded, unable and unwilling to understand the niceties in the counter arguments advanced, are too quick to proclaim vociferously that here is a case of unjust and oppressive taxation. Since for all practical purposes this seems to be not very much different from a case of double taxation, it may be considered as such in the following pages.

Whatever may be the name by which it may be described, the effects of this practice have been found to be very injurious in this district and the same, it is feared, would be the result in other places also. As this district has got a large trade in groundnut, it has been possible to study the question only in relation to this trade. If similar attempts are made in other places where dealings in other commodities are wide and large, the effects of this practice would be seen in full.

Nearly 367,000 acres of land are sown with groundnut in the year 1939-40 which represents about 30% of the total normal area sown in this district. As such it forms an important supplementary crop and, with some people, even the main crop and hundreds of labourers make a living in the cultivation of groundnut and in the industries connected with it. The total production for the year under observation is estimated at 70,000 tons. To this must be added the goods imported from parts of Coimbatore, Salem, Trichinopoly, Tanjore, North Arcot and Chingleput if the total trade of the district in the commodity is to be assessed correctly. It has been estimated for the year 1939-40 that the total arrivals in all the different markets, including the products from the districts bordering on South Arcot come very nearly to 90,500 tons of which 74,800 tons representing 82% is taken by the

exporting firms, 4664 tons equal to 5% is taken by the press and 'chekku' owners. These figures would show the large volume of trade carried on in groundnuts and the necessity to guard the trade against mishap due to double taxation.

The effect of this policy of double taxation has been most noticeable in the case of the groundnut oil industry. Formerly, that is five years back, the industry was in a flourishing condition. But now, owing to the disappearance of export of groundnut oil from these parts, the industry has declined very much. It is said that 100 presses originally each costing about Rs. 1,000 have been sold in recent years as scrap iron for a ridiculously low price owing to the fall in the demand for oil from outside. At present only 1 expeller, 15 presses and a few 'chekkus' scattered over the country, are in operation in the district. This was the condition when the Act came into force, and the merchants engaged in groundnut oil say that the Act has given the deathblow to this dwindling industry. The main cause for the decline of the industry is to be found in the severe competition of oils from the Hyderabad State. The state which is a producer of groundnut on a large scale and which was exporting large quantities of the raw product has imposed an export duty on groundnut with a view to retaining within its boundaries the industries connected with the raw product. As the price of groundnut in the state is governed by the rates for port delivery in the province, this has made the purchase of groundnut in the state cheaper by more than the export duty, and as no export duty is levied on groundnut oil, the tendency of merchants has been to purchase groundnut in the state, convert it into oil and sell it at competitive rates in the local markets of the district. Thus it has been possible to sell imported oil at Rs. 3 per ton cheaper than local oil. The coming into force of this Act in October of 1939, has placed the local oil industry at a further disadvantage as the local oil producers have to pay the tax twice, once while they purchase the groundnut and another while they sell oil, while dealers in the state oil pay tax only once, on the sales of the oil. This, they represent, widens the difference already existing in the rates of the 2 sorts of oil leading to a further decline in the demand for local oil.

The merchants of these places have not been slow to realise the difficulties caused by this kind of levy and have formulated their case before the tax authorities. They proclaim that they are willing to pay the tax either on the purchase of groundnut for oil extraction or at the sale of oil. Their solution for the difficulty consists in granting them a rebate on the purchase of groundnut for oil extraction. This would be possible as they keep separate accounts of their purchases in groundnut for trade and for oil extraction. But a much better way of giving relief is by

exempting the manufacturers from paying the tax on their sales of oil and cake. This would virtually mean the exemption of the first sale of locally produced oil and cake. Thus the difficulty felt by the manufacturers in disposing of their oil could be got over and the difference in prices between the two oils may be minimised. This method of giving relief is considered to be superior to the other method suggested by the dealers themselves, as the chances for manipulation of accounts are comparatively less here than in the other case. The manufacturers trading in locally produced oil usually do not trade in imported oil from the state except in rare cases and in rare circumstances. Hence under ordinary conditions there are no chances for evasion in this method, by passing of imported state oil as locally produced oil. On the other hand, as most of the purchasers of groundnut deal in raw groundnut and oil, the chances for duplicity by a distortion in accounts are greater in the method suggested by the merchants. Thus from the fiscal and administrative points of view the former method seems better.

It would not be out of place to say that by granting relief in this way, the Government does not stand to lose much. At present there are only about 15 assessees in this district under this Act engaged in the manufacture of oil. Of these 8 are 'chekku' owners who are assessed under the slab rate; 6 are manufacturers using presses while there is only one using an expeller driven by power. The average turnover of these 6 dealers using presses is estimated at about 3½ lakhs of rupees a year. On the basis of the rates of tax for 1940-41, the loss to Government, if exemption is granted to sales of oil and cake by these dealers, would come to about Rs. 875 and, even if it is supposed that those who are now paying the slab rate would fall below the minimum level, on account of the exemption given, which is very unlikely, the loss on that sum would amount to only $8 \times 48 = 384$ Rs. The total loss therefore would not be more than Rs. 1,500, allowance being made for the case of the expeller also. This is not a big sum which the Government could not forego in a district where the income for the half year has come to about Rs. 78,000, on 1939-40 rate. If the income for the full year of 1940-41 is calculated on the same figures owing to reduction in the rate of the tax, the loss would not be more than 1·7%. Even if slightly higher rate of loss is incurred in other districts, where the trade is being carried on, it is felt that there is no case for the Government to delay granting this relief in view of the impending disaster to one of the important indegenous industries and the consequent suffering that would be caused to those dependent on the prosperity of that industry. But so far no gesture of help seems to have come from the Government; it can be said that they have not brushed aside the question but are giving it their full consideration.

In these circumstances, the local oil producers have found it impossible to pass on the tax to the shoulders of the purchasers of the local oil, because of the competition of State oil. Nor are they able to pass it on the sellers of the raw produce, for the exporting firms compete with them here. The result has been the adoption by the dealers of a most hateful and highly objectionable policy, to rid themselves of the burden of the tax. It has been found, that many of the oil press owners, under the curious impression that the addition of labour alone has made the commodity taxable a second time and that therefore the labourers should be made to pay the tax, have been deducting one pie from the daily wages of the coolies employed by them. This levy of one pie on the labourer comes to about 2 to 3 annas per month, and the deduction of this amount from his meagre wages, is a thing which he may not afford. But as the labourers are mostly disorganised and illiterate, they find it impossible to fight over the issue and they meekly submit to any exactions imposed on them. This is the grave danger to which this mode of taxation has led, and unless effective measures are taken, it is feared, there is no knowing to what hardships the labourers may not be subjected.

Section 13

Tax Evasion

Along with the growth in the methods of taxation, ways of escaping the payment of taxes have also grown up. They are today so great in numbers and so widespread, that they have grown powerful enough to defeat the purpose of taxation itself. With every new tax or new act, new methods of tax evasion spring up. Some people indulge in them mainly for the pleasure they derive from such a deed; but many others try to avoid paying the tax because of the pecuniary gain that evasion brings; still others resist paying the tax owing to political convictions and it is only proper that such cases should not be treated as cases of tax evasion.

It is to be noted that in almost all cases where evasion prevails, it is due to the defects in the acts and rules relating to the tax. These defects can be remedied by the legislature by suitable modifications of the act and formulation of rules.

Many kinds of evasion of payment under the General Sales Tax Act have been noticed and they will be narrated one by one; one such is that indulged in by the bullion merchants. The dealers in bullion are exempted from taxation under the Act, subject to certain conditions including licensing. According to the rules framed they are obliged to take out a licence which exempts their dealings in bullion from taxation under this Act. As per the Act, while their dealings in bullion are exempt, they are liable for taxation for the sales of articles manufactured out of the bullion, that is, wares and jewellery. It is this part of the Act that is violated resulting in a serious kind of evasion.

There are nearly four kinds of bullion merchants, some of whom are difficult to be tackled with. Some are dealers in bullion as such, that is selling bullion as such, and earning very meagre profits. Another class of bullion merchants have such dealings in addition to dealings in silver wares and jewellery. The difference between these two types of dealers and the next is that while these do not own a smithy of their own, the third type has a smithy of his own wherein he has got facilities to make wares and jewellery to order and out of the bullion he has. The last class of dealers in bullion are the manufacturers who carry on business on a large scale by sending manufactured articles to dealers in the mofussil and receiving cash or inferior silver in return.

Of these categories, it is the third class of dealers who are predominent in almost every place. Next in rank comes the second class of dealers, i.e., those who deal in bullion and wares but do not own a smithy. It is very rarely that exclusive dealers in bullion as such are met with.

While the first mentioned class do not create any problem, it is the others who are the source of a serious form of evasion prevalent on a wide scale, which even when found out is felt difficult to be tackled. How they successfully try to evade the tax, will be understood when each of these classes is dealt with separately.

Taking the third class into consideration first, it is found that most of them are having direct contacts with consumers or the public. They purchase bullion from the wholesalers and as soon as it is brought to the shop, a great portion of it is sent to the smithy for conversion into wares and jewels. The evasion of the tax begins here when an adjustment in the accounts is made. The bullion taken to the smithy is not shown as such in the accounts, but are kept in suspense. Whenever a sale from the wares and jewellery stocked in the show room takes place, the sale is shown as two sales, by showing the value of bullion content and the making charges separately. Sometimes two receipts are given, one representing the sale of bullion and another making charges; while at some other times, two such sales are shown in the same bill separately. On the same day the sale is effected, to complete the trick, the bullion content of the article sold is transferred to the purchase and sale register kept for bullion, where it is shown as a sale of bullion on that particular day. It is this way that the evasion is accomplished by showing the major part of the transaction in the form of a sale of bullion and covering it up by the licence taken under section 5 of the Act, and allowing only the minor part, that is making charges only, for taxation. Strictly speaking, the bullion merchant may escape taxation even on this part of the turnover as this is only charges for "services" rendered. But the practice of charging bullion merchants on this part of the turnover seems to be prevalent in Madras, which has also been copied in some mofussil stations. As most of these dealers are intelligent businessmen with high business acumen and keep perfect accounts, it has been found difficult to check this malpractice, by fastening upon any defects in their accounts. Even sudden inspections of their stalls and a verification of their purchase and sale of bullion with the stock placed in the show room do not help in bringing out the truth as the dealers escape by saying that the stock had been made to order, out of silver brought by their customers, who on enquiry invariably happen to be relatives of the merchant.

Generally, the second type of bullion merchants does not commit such tricks. They are dealers in wares and jewellery bought by them from the manufacturers. As they do not own a smithy of their own, they would be exposed if they enter their sales separately. Hence a good number of dealers in this class enter their transactions as sales in wares or jewellery and subject themselves to taxation. But the more adventurous among them enter the two sales separately, make the necessary modifications in their accounts, with regard to their purchases* and escape by saying, that they made things to order in smithies known to them, though they did not possess one of their own

The procedure adopted by the manufacturers is different. They are both dealers in bullion and in wares and jewellery manufactured by them. Besides having direct contacts with consumers, such big manufacturers send articles to other dealers to be sold by them. It is here that the source of the series of evasions that follow is to be found, for, the manufacturer instead of entering in his accounts the sale in wares as a sale in manufactured article, records it as a sale in so much of bullion and so much of making charges. Further, most of these manufacturers have got running accounts for silver with their purchasers and credit to their account the bullion received from the purchaser against the bullion content sold to him by them. Thus the whole transaction is shown as dealings in bullion while they are really transactions in manufactured articles. Strictly speaking they are not dealings in bullion even though bullion is exchanged for bullion, for the manufactured articles are not made out of the bullion received by the manufacturer but from different bullion. The silver that is paid by the customer is very often of an inferior quality and really serves only the purpose of currency. The transaction of the manufacturer can only be considered as a transaction for 'valuable consideration' and will have to be assessed as per rule No. 17 of the Madras General Sales Tax (Turnover and Assessment Rules).

It is not proper that all these type of transactions should be allowed to go tax free and strict measures to check this widespread and ingenious mode of evasion must be forthwith taken. The check must be applied at the very source *viz.*, the manufacturers, for it is because of the accommodating nature of the accounts allowed to be maintained by the manufacturers that the evasion creeps in. All manufacturers and bullion dealers must be insisted upon to keep, purchase registers, showing their purchases of silver and wares, an account showing the silver taken to the

* This is facilitated by the accommodation shown by the manufacturers in accounting.

smithy, the articles manufactured, their bullion content, their sale of wares and jewellery with all details as to the purchaser date and terms of contract of sale, and finally an order book showing the orders placed with them by their customers. These accounts, if they are properly kept would go a great deal in putting a check to this practice of evasion and as the accounts would help the tax authorities in their cross checking, it may not be too much if it is expected that the practice would altogether disappear.

Another kind of evasion is accomplished under a type of business partnership known as *"Kashtakootu"* (கஷ்டக்கூட்டு). This is a form of business organisation where more than one person join together and do a business or different businesses on the money advanced by a single individual. In such a case, the principal dealer is said to carry on the business on "Kashtakootu" basis. He may be himself doing a single business, while he may be engaged in other business e.g. jaggery, groundnut, etc. in combination with others. While the principal dealer advances money to these individual traders with whom he is in combination and also claims a share of the profits that may accrue in the business, he is not concerned very much with the actual working of the business, which is done by the person who had borrowed the money, and who for the sake of convenience may be called a working partner. These working partners are usually men with very poor means but endowed with good business ability; it is only on this consideration of their business ability that the bigger merchants advance money.

The principal dealer never tries to show the turnover of the working partner in his accounts, especially after the coming into force of this Act, but only enters the money advanced to him in, a type of account maintained by him which is known as 'Vasakkattu' account. The working partner could not be taxed on his business as in most cases it does not go beyond Rs. 10,000. Further these working partners have no particular place of business, which makes it almost impossible to trace out the business. In one or two cases when such working partners were questioned by the writers as to what they would do if they were taxed, they replied by saying that it was not just that they should be taxed, as they were only doing the business on behalf of their principal dealer, that the money with which the business was done was not their own and justice requires that the owner of money who had lent the cash should be taxed. When a principal dealer working on Kashtakootu basis was questioned, he quickly retorted by saying that he has only a share in the profits for the money he has lent, that he has not himself conducted the business and that therefore he should be exempted from taxation. Thus a large volume of business has been escaping taxation. The vigilance of the Tax Officers

alone has been responsible for finding out such cases and bringing them within the orbit of taxation.

In cases that had been found out by the tax authorities the turnover of the working partners has been added to that of the principal dealer who is assessed on the total turnover. In Cuddalore alone enquiry has shown that many cases have been discovered and assessed. The offences against evasion have been in most cases compounded for sums that are lenient.

This kind of business organisation is found to a very great extent at Kallakurichi and Tirukoilur and other places bordering on the Salem district, where it is practised mostly in the purchase of raw materials. In the neighbourhood of Chidambaram and Cuddalore, such type of business organisation is rare, though the lending of money by a bigger merchant to smaller or itinerant merchants on "Vasakkattu" account is quite common. The Kashtakootu organisation is said to be prevalent generally in all those places, where dealings in the purchase of raw materials is carried on widely. Even an approximate idea of the number of dealers engaged in this kind of business is difficult to secure. But it can be said without any fear of contradiction that they are sufficiently large in number to deserve the immediate attention of the tax authorities.

In places where this type of business organisation is not prevalent, evasion is practised by merchants under the heading of *"Vasakkattu accounts."* This type of account is maintained by almost all merchants in these parts. Under this mode of accounting only cash advanced by a principal dealer to his near relatives, intimate clerks or close friends for the purpose of trading is entered. The clerk, relative or friend buys the commodity on the instructions of the principal dealer, sells it as per his directions, returns the money and profit when the transaction is over, himself retaining only a share of the profits. Sometimes instead of selling the produce to a third party, it is taken by the principal dealer himself, who instead of showing the purchase of produce in his purchase accounts, adjusts the value of the produce bought against the cash lent by him. This type of false accounting is purposely kept to cheat the tax authorities. The vasakkattu account in such cases does not reveal anything more than mere cash dealings, and in both cases, whether the goods are sold to a third party or are taken by the principal dealer himself, the purchase and sale of these goods are not brought in the accounts rendered by the principal dealer. Unless the assessing authorities are vigilant while checking the accounts and call for the details of the vasakkattu business the trader escapes. This type of evasion is common almost everywhere. In principle, this is not very much different from the one previously described, but there are slight differences between the two forms over the

question of responsibility of business which have earned for this the special name of "Vasakkattu business." As evasion under this heading is more widespread than under 'Kashtakootu" business, which is confined to only certain localities it seems necessary that certain regulations should be drawn up by the Government with a view to restricting this type of evasion. All persons having "Vasakkattu accounts" should be forced to maintain separate accounts showing the persons to whom cash is advanced, the purpose for which it is advanced, the manner in which it is recovered etc. The persons borrowing under "Vasakkattu accounts" may also be asked to submit to the nearest tax collecting authority all details as regards the transactions as e.g. the person from whom money is borrowed, the purpose for which it is borrowed, the manner in which it is utilised and repaid. It is realised that the enforcement of these suggestions would mean a lot of work for the officers which may necessitate the increase of departmental staff, but they have to be carried out if leakage is to be stopped.

Commission Agents.—The agents provide another loophole in the Act. They cover their sales with licences taken under section 8 of the Act and it is their principals who are obliged to pay the tax on the sales effected by them. For this purpose, they have to send monthly returns to the office of the Commercial Tax Department of their turnover, just as they have to send returns to their principals. It is in the discrepancy noted in these two accounts that we find the third source of leakage.

Under the terms of certain kinds of contracts entered into by the agents with their principals they can sell the produce only at the rate fixed by their principals. But the agents especially, in some branches have always a tendency to sell the articles at a higher price with a view to monopolising the profits for themselves. They watch whether there are any tendencies for a rise in the price and if there are, submit accounts for larger sales in the returns tendered to the principals than the actual sales. When the price actually goes up, they effect the sales take the profits for themselves and render no accounts in the returns submitted to their principals for this extra amount realised by them. As the principals alone are responsible for taxation, unless this discrepancy is brought to their notice, the agents succeed in hoodwinking their principals of their profits as well as the tax authorities of the tax.

The loophole would not be serious if only some agents had taken to this type of "forward sales" as they are called; but the tendency seem to be common amongst almost all the agents especially those dealing in kerosene and manure. It is a bit difficult to say who exactly is responsible for the evasion, whether the agents or the principals. The principals

cannot be held liable for the fault, for they are not responsible for the mistake; they are themselves duped and it is only incidentally that the Government also come in for loss. It has therefore to be noted that the agents are the real offenders. As a punishment for their offences whenever such malpractices are found out, the agents are taxed as dealers on their total turnover. But a perfect scrutiny of accounts is not always possible. Further even when found out such agents are not seriously punished, but as remarked previously, are merely taxed as "dealers." It is perhaps this leniency that encourages them to carry on such forward sales as often as possible. A more drastic punishment in the form of a withdrawal of licence when such tactics are indulged in by them, may have greater effect in checking this temptation.

While in this case the agents are to be blamed, there is another manner of evasion where the principals are responsible for evading the payment of the tax. This kind of evasion consists in not showing the expenditure charges separately item by item, but in showing only the actual sale proceeds they had realised after making allowances for all deductions. This practice is not peculiar to those who sell their goods through commission agents only but also among dealers. Whenever merchants sell goods through commission agents, some of them do not show in their accounts the full value for which the goods had been sold and accounted for by the commission agent as sale proceeds in their accounts but only the net amount of sale proceeds they actually receive after deducting from the accounts submitted to them all items of expenditure, both by them and by their agents. This process of accounting, besides making cross checking difficult and placing the agents in a precarious position, serves as a fruitful source of evasion. The merchants are encouraged in indulging in such kind of accounting, as there is nothing positive in the Act which makes it obligatory on their part, to show in their accounts the full value of the sales effected on their behalf by the commission agents and not the net amount they receive after allowing for many deductions. In addition to making provisions for the maintenance of such type of accounts, stipulations must also be laid down that items that are to be deducted should be shown separately, and not treated in the fashion done at present. The reason why many dealers refrain from showing expenses separately, is due greatly to the objections raised by the Income Tax Department against too many deductions. If sufficient safeguards are provided against this difficulty, this serious kind of evasion current both among dealers and merchants selling through commission agents could be effectively checked.

Omission of Cash Sales.—In addition to these modes of evasion a tendency seems to be prevalent especially amongst the merchants of Madras, to omit cash transactions of sale in their accounts and keep the

book turnover low. Such a tendency is highly dangerous if it spreads on a large scale. Effective measures must be taken against such practices to nip them in the bud. The only remedy to check this evil seems to be in educating the public to demand bills or receipts for their purchases and to force such merchants to keep receipt books with duplicate forms and to conduct a thorough verification of accounts with these duplicate forms.

It must be admitted, that the examination of the question of evasion leads us to conclude that it is being practised not because of any predetermination on the part of the merchants to dupe the Government but because of the existence of certain loopholes in the Act and the rules made thereunder. If steps are taken to amend and modify the Act wherever necessary and lay down more rules with a view to checking the types of evasion enumerated above, it is believed that such practices would end at the earliest possible time. It should be clearly appreciated that the evasions practised at present are not due to any political or other convictions nor even due to any inherent psychological weakness of the Indian merchants, but only due to the imperfections in the Act which make it possible for them to escape without being caught or if caught, without being severely punished. If penalties for violations are made more stringent and enforced more strictly, no doubts need be entertained as to their effectiveness in checking these malpractices.

Section 14.

SHIFTING AND INCIDENCE OF THE TAX.

While consolidating the results of the survey on this most important question, it must be observed, at the outset, that it is a very knotty problem and that the results obtained must be studied in conjunction with the limitations mentioned below. A comparison of the prices of articles prevailing after and before the Act came into force, or after the Act came into operation and before it was announced to be introduced, or in the same period during last year and this year is not likely to reveal the true relationship between the tax and the price or the pricing policies of the merchants for the mere fact, that price levels are subject to a variety of forces apart from this new one. The outbreak of the war in September just a month previous to the coming into force of the Act, introduces a factor whose effect is almost impossible to isolate. Hence it has not been possible to assess the effect of the sales tax on the retail and wholesale price fluctuations. When deduction has failed or is suspected would lead to wrong conclusions, an attempt has been made to study the question inductively. It need not therefore be mentioned here that what is said in the few following pages is a mere attempt at a logical and a cogent statement of conversations conducted with a good number of dealers of all classes with the help of the questionnaire. It seems better to warn the reader here against placing absolute reliance on the statements. The conclusions reached have been based on what businessmen say they have done. Sometimes they might have given false information either wilfully or out of indifference, or fear. An absolute faith in their words is not warranted on account of these limitations. But the writers feel that the suspicion due on this account can be ignored as a large number of cases have been well examined.

While studying the questions of the shifting and incidence of the tax, how it is charged and collected from the consumers, it needs to be considered how and how far the various classes of dealers engaged in trade succeed in accomplishing this. There are various hands through which the commodities have to pass before they finally reach the retailers and these as they deal only in wholesale transactions may for the sake of convenience be grouped together under the head of "wholesalers." There are at the end of this chain of traders the retailers who have direct dealings with the consumers. Apart from these two classes of dealers, there is a third class to be taken into consideration and this is the Co-operative Consumers' Society. Though these institutions are not merchants

in the real sense of the term they are classed as 'dealers' for the purposes of this Act. The question of incidence and shifting of the tax together with allied problems will be considered in relation to each of these classes separately.

Wholesalers.—This type of dealers, it is learnt, feel no difficulty in shifting the tax on to the shoulders of their purchasers. As they deal in large lumps, the tax also comes to a good sum which is entered separately in the bill and collected from the purchasers. The same procedure is generally followed in the case of all kinds of commodities, both necessaries and luxuries. While in the case of the former the procedure is generally and uniformly adopted by all the wholesalers, it is found that in the case of luxuries the practice is not so general. However, as the wholesale transactions in the case of commodities, especially in the case of luxuries are in the hands of very few persons, the lack of competition enables them to dictate policies in such cases. The shifting of the tax also is rendered easy.

Retailers.—The case of retailers is not so easy to deal with. From the point of view of the incidence of the tax there are nearly 2 classes of retailers. One class of retailers does not charge the tax on the purchasers, but pays it out of their profits. When the reason for their unique behaviour was sought, they replied that when the Government had asked them to pay (1 pie formerly and ½ a pie in a rupee now) to relieve the drunkards, it is not just they should refuse such a small payment towards that noble object or should collect it from the purchasers back again, in the form of higher prices. But such types of dealers are very few. This brings out a point of great significance, which should not be overlooked. It only shows how the willingness or unwillingness of the merchant himself plays a great part in determining of the question of shifting of the tax. This factor has not been given the importance it deserves in the study of the incidence of taxes so far. The class of merchants mentioned above has brought into prominence this important factor and may be said to have been at the source of widening our knowledge of the question of incidence by their unique behaviour.

All others try to shift the tax to the consumers. While the tax is shifted on to their shoulders by those from above in most cases, the shifting of the tax to the consumers by these is rendered difficult by many factors. In the case of certain commodities where the retail prices have been steady for a fairly long time, the prices cannot be suddenly increased without much inconvenience to the traders. The

cases of soaps, pencils, blades, matches and such other things are examples of such classes of goods. Further the unit value of certain commodities is so low that the charging of the tax on each of them is rendered almost impossible. Thus wherever the prices of commodities have been constant or steady for a fairly long time and where the unit value of the articles is very low, the shifting of the tax is made difficult.

In respect of all commodities, where these factors are not prominent, the dealers try to collect the tax from the consumers. Nearly 3 types of procedure have been noticed. Some merchants charge the tax on the total value of transactions by mentioning the tax in the bill separately. But this method can be followed without loss only in cases where the total value of the transactions is above the minimum (of 1 rupee formerly and 2 rupees at present). In order to avoid the loss on transactions of less than this minimum amount and the inconvenience of charging the tax every time the sale is effected, other merchants adopt the practice of adding on the tax to the cost price of the articles. Another advantage claimed for this practice by its exponents and adherents is that as the tax is not specifically and separately mentioned in the bill, the consumers return with the impression that they have not been taxed, and this idea creates in them an attraction for such shops. At the same time, these merchants complain that this method also has not been thoroughly successful in view of the difficulty of adding the tax to the cost of the purchases of very small quantities of goods, running to only a few annas. The lack of understanding amongst the retail merchants has also been responsible to a certain extent in defeating the attempts of some to raise the retail prices of the commodities by more than the amount of the tax. The difficulty in such cases could only be over-come by adding one pie which is the smallest sub-multiple of the Rupee; but this action could not be resorted to on account of the severe competition amongst the merchants.

These difficulties could completely be got over if there is perfect understanding amongst the retailers of this Presidency as in the States of America and if they copy the same devices with suitable and necessary modifications as those employed in the American States. The American retailers feeling these difficulties have come together and employ various devices which enable them to pass only the exact amount of the tax without any difficulty. Two of these devices* may be noted here.

* For more details as regards their advantages and disadvantages, etc., see *Sales Tax in American States* by R. M. Haig and C. Shoup, pp. 33-37.

1. *The use of Fractional cent devices.*—"The second group of plans for shifting involves the use of *fractional cent devices* ...... Under a 3% tax, for instance, a consumer purchasing a 10 cent article would pay 11 cents and receive from the merchant a coupon, or metal slug, worth seven-tenths of a cent, thus allowing for exact payment of the tax. The worth of the coupon or slug would lie in the fact that it would be used in future purchases as a means of paying the tax charge; in some plans it was redeemable in merchandise, or even in cash, at the store where it was received or at some local trade association office . . . . devices such as this have been used to some extent in Illinois and in Michigan."

2. *The Use of Coupon books.*—"A third device whereby shifting would be made more certain has been devised by the Ohio Retail Merchants Association. Under this plan, coupon books, would be printed by the State, the coupons being in denominations of one cent and up. A dollar book of coupons would be sold to the retailer for one cent under a 1% tax, 2 cents under a 2% tax and so on. The retailer would then resell the books to consumers at the same price. Carrying these books around with them, consumers would be required to hand over to the retailer, at the time of every purchase, coupons to the face value of the purchase. The State would thus collect the tax in advance, and the merchant would collect it from the consumer in the exact amount, no matter what the tax rate or how small the sale."

Another factor which has been noticed as influencing the shifting of the tax in this district is concerned with the attitude of the consumers. Some merchants have informed the writers that they are not taxing the consumers on account of the unwillingness and sometimes blunt refusal of their customers to pay the tax. This, some merchants say, has been solely responsible for not taxing the consumers. Thus many of the factors enumerated above have seriously impeded the task of shifting the tax. It is not correct therefore to say without any qualifications that the incidence is on the consumer, and that every individual is taxed on his purchases. Perhaps such a statement might have been true in the first few months when the Act came into force. Many merchants confess they had taken all steps to shift

the tax during the first few months of its working even at times incurring the displeasure of their regular customers. But later on, when some of them began to pay the tax out of their profits, the difficulties of others have become rather magnified and the severe competition amongst them has nullified the attempts of some to shift the tax.

Co-operative Societies.—Even among the co-operative societies there is no uniformity of procedure with regard to the shifting of the tax. There are as many practices current among them as amongst the merchants. In Cuddalore itself, where there are two societies, they follow different policies. The Manjakuppam Society meets the tax out of the general profits it secures, while the Pudupalayam Stores adds the price to the cost price of the article. Many of the difficulties experienced by the merchants have also been felt by them.

Thus, on the whole, over the question of incidence and shifting a definite and categorical answer cannot be given. One thing is sure, that the merchants, that is retailers, are not successful in passing the whole tax on all goods to all consumers uniformly. They try to pass on the tax wherever and whenever possible but when they encounter difficulties abstain from persisting. Sometimes the whol etax or even more than the amount of the tax is passed on to certain customers on certain commodities; while in other cases the merchants bear the whole or part of the tax as the case may be. They have to adjust their policy according to the nature of their customers. Thus while a definite conclusion would be impossible, and if made would be far from realities, these points stated above would serve to bring to the minds of the reader an idea of the difficulties encountered in the effort to shift the tax on to the consumers.

The above statements may leave the impression in the minds of the readers that, as the merchants are not generally or in many cases successful in passing on the tax to all consumers, the tax may not cause a substantial rise in price. But it was pointed out when the Act was on the anvil of the legislature that though the whole tax may not be shifted as the commodities change hands many times—about which nothing definite was known—even a partial shifting of the tax may ultimately lead to a substantial rise in price. An effort has been made during the course of the enquiry to learn how many times each class of commodity changes hands till they reach the consumer and the results are tabulated below:—

Sales Tax is levied in respect of each class of commodity, the number of times noted against each of them.

1.	Groceries	3 to 4	1.	Cashew	2
2.	Shop articles	4	2.	Leaf Tobacco	2 to 3
3.	Hardware	2 to 3	3.	Groundnut	2 to 3
4.	Clothing	3 to 4			
5.	Silver and gold articles	1 to 2			
6.	Edible Oils	2 to 3			
7.	Paddy, rice grams and Cereals	3			
8.	Kerosene Oil	2			

From this it could be inferred that the belief that the commodities would be changing hands 6 to 8 times before they reach the consumer is exaggerated. In many of the cases noted above, the number of times the commodities change hands are only 2 which is indispensable in the present structure of business organisation and it is therefore not likely that the cumulative tax would be causing a heavy or perceptible rise in price.

Section 15

Effect on Business Turnover

(*A*) *Merchants*

This is an important question of the enquiry for the correct study of which the details are difficult to procure. An attempt to compare the turnover of different types of business during the past 2 or 3 half year periods as has been done in the case of co-operative societies has not been successful, mainly because the data are not available. It must be pointed out, that most of the merchants are accustomed to keeping accounts only for the year as a whole and not month-war or even half yearly. Certain merchants who pay income tax and for that purpose maintain half yearly accounts to facilitate them, are unwilling to give any figures. Any kind of appeal fails to convince them of the purpose for which it is required. Thus in the face of these difficulties, the problem has to be left unsolved.

(*B*) *Sales Tax and Consumers' Co-operative Societies.*

The fear entertained by some that the Co-operative Societies would be robbed of much of their business because of the competition from tax-free retailers seems to be exaggerated. This fear, it needs to be pointed out, is based on the belief that the co-operative societies generally charge the tax on their purchasers, that the tax-free retailer has no necessity to charge the tax and that because of this, there is a difference in prices which acts to the disadvantage of the consumers' society. Firstly, it is to be noted that all societies do not charge the tax on the consumers but only some; while others meet it out of their profits. Secondly, as the co-operative societies charge only very small percentage of profits on their transactions which is much lower than that charged by the merchants, the prices of commodities sold by the society are decidedly less than the prices fixed by the tax-free retailers, (who have to charge higher prices as they lack the advantages of large scale buying which the societies enjoy) and even an addition of the tax to the price would not create any difference in prices which would be prejudicial to the prosperity of the society. To illustrate the points put forth, the following case may be noted. The prices of articles sold by the Pudupalayam Stores (which charges the tax on consumers) has been found to be lower or the same but never higher than the prices charged for the same articles of the same quality by dealers and tax free retailers in the neighbourhood. A comparison of the prices of a few articles preva-

lent during the last week of October will illustrate the truth of the statement.

Articles.*		Unit of measure	Price charged by Co-operative Society.	Prices charged by dealers & tax free retailers.
			Rs. A. P.	Rs. A. P.
1.	Sirumani rice ..	per bag	10 11 0	10 14 0
2.	Ghee ..	one seer	0 3 10	0 4 0
3.	Gram (Bengal, broken) ..	per measure	0 3 10	0 4 0
4.	Camphor ..	per palam	0 3 3	0 3 6
5.	Chillies ..	per thooku	0 15 0	1 0 0

* Care has been taken to include only those commodities that have been bought in October by the Society and not those commodities that the Society had in stock.

This table clearly indicates the tendency in which the prices are moving in the two cases.

A look into the turnover of the two societies in Cuddalore, the Manjakuppam and Pudupalayam Stores, during the last 3 half years from October to March would also lead to the conclusion that there has been no setback in their business.

Turnover in Rupees.

Manjakuppam Stores.				Pudupalayam Stores.		
1937-38.	1938-39.	1939-40.		1937-38.	1938-39.	1939-40.
2002	2416	2418	October	2085	2846	2387
1991	2355	2377	November	2379	2348	2542
1880	2583	2285	December	2656	2667	2717
1781	2223	2626	January	2399	2584	2718
1913	2002	2320	February	2371	2034	2717
1699	2268	2258	March	2471	2197	2810
11266	13847	14284	Total	14361	14676	15891
1878	2308	2381	Average	2394	2446	2649

The table clearly shows that these societies have been keeping up their tendency of increasing trade even in the half year of 1939-40, in spite of the sales tax; and the fact that they have maintained the increase in spite of the restraint they had put upon themselves by not selling to

non-members during the half year in 1939-40, only goes to strengthen the argument. Hence in the opinion of the writers it is not true or correct to say that the societies would be undercut in the matter of prices by the tax free retailer and that they would consequently lose their business, which would hamper the progress of the movement itself. Such a tendency has not been evinced so far and if the past is to be a guide to the future, it can confidently be asserted, that there would be no occasions for the Societies to suffer.

These observations are strengthened by Appendix (A) in which the turnovers of a few more co-operative consumers' societies are studied. The condition of the premier consumer society of the Presidency has been dealt with. The total turnover of the Triplicane Urban Co-operative Society and of a number of its various branches have been tabulated to facilitate a comparison of their turnover during the past 3 half year periods from October to March. But before comparing the figures as such, certain allowances have to be made. Firstly the sudden and quick rise in price during the months from September 1939, has rather shown a sudden increase in turnover. It is generally considered by merchants that, on the whole, taking into consideration all commodities, there has been only a rise of about 1 anna in the rupee in their turnover because of this rise in price. Hence the effect of this factor will have to be considered while comparing the figures given in Appendix. Another factor will have to be taken into account which is also an effect of the war. The war which has brought about a distinct difference in the prices of articles sold by the co-operative societies and merchants, has resulted in such a heavy rush for goods at the co-operative societies, to combat which they were forced to resort, to a kind of rationing of goods. This it is feared, has sometimes even acted as a check over genuine demand of goods for consumption. Thus the possibility of any loss in turnover on this account must also be borne in mind.

Anyhow it must be admitted, that though the sales tax has not actually brought about a decline in the turnover of consumers' co-operative societies, as has been feared by some, it has had some effect on the development of the society. It has been learnt that the Triplicane Urban Co-operative Society which had an idea of undertaking the sale of piecegoods of different kinds and articles like sandals and shoes, has been obliged to partially suspend such plans, because of the sales tax. If the same is the effect in the case of other societies situated elsewhere in the Presidency, it seems necessary that such new ventures of Co-operative Societies should receive the sympathetic consideration of the Government and result in some form of help which would induce such societies to get over their fear and execute their plans well.

Section 16

Effect of Middlemen

There are really two classes of middlemen, one doing business on behalf of others and another class doing the intermediary work on their own accounts. The position, of the first class of intermediaries has been safeguarded in the Act under the head of 'agents.' It is only with regard to the second class of intermediaries that grave doubts were entertained; it was thought that because of this cumulative tax they would be forced out of existence.

To examine whether such fears have materialised, it is necessary to consider this class of middlemen in two separate groups, as such a method would help the analysis. Middlemen are found both in the purchasing trade and in the selling trade of a country; the effect of the tax will be considered on each of them separately.

There are large numbers of middlemen dealing in raw produce, purchasing them in the villages and selling them to exporters. The case of such men dealing in groundnut in Cuddalore has come under the observation of the writers and their condition will be stated at length in the hope that it would be representative of that group of men where the same conditions prevail.

The marketing of groundnut is carried on in Cuddalore by the exporting firms, their shandies and agencies, middlemen, co-operative sale societies and groundnut marketing committee. Before the establishment of the co-operative sales societies and the marketing committee, the middlemen were doing a greater part of the business and even now they are responsible for a considerable amount of trade. Of these some are wealthy and big merchants who purchase and stock commodities to sell at times of favourable prices. But such persons are very few in numbers; the greater part of the middlemen are those with very low means who make their living by making small profits on their daily transactions.

The price of groundnut is fixed by the foreign market demand for port delivery. Whenever the middlemen buy the commodity they have to pay the tax and again when bigger middlemen buy it they have to pay the tax once more. In these cases, as the middlemen's selling price of groundnut has been already fixed, the middlemen try to deduct the tax they have to pay from the price paid to producers. But this course is objected to by the Marketing Committee and hence the middlemen have

no other course except to make allowance for the tax by quoting reduced prices without showing the tax outwardly. Even this they could not do, because of the competition of exporters, their agents, and marketing committees. As the commodities bought through these agencies have to pay the tax only once, these institutions succeed in defeating the purpose of the middlemen, by quoting higher prices. Thus the middlemen are driven to bear the tax themselves, without shifting the tax on to the shoulders of producers. While the bigger and richer middlemen are able to bear the burden of the tax by meeting it out from their profits earned from the fluctuations in prices on the sale of their stored goods, the condition and existence of the smaller middlemen have become almost precarious. They are unable to bear the burden of the tax as the profits they realise from their sales are very meagre. Their existence today depends upon how they can dupe the illiterate and innocent growers who come to them or on dealings with growers who have taken loans from them and therefore bound to come to them. When the marketing committees grow more popular and by means of efficient propaganda shut out this only way of shifting of the burden of the tax by the middlemen, it is feared that many of them would be thrown out of employment. The activities of Marketing Committees and the operation of the Sales Tax have thus greatly affected the middlemen dealing in groundnut.

The same would be the case with middlemen dealing in other commodities also. It can be generalised that wherever there are competing agencies with middlemen in the buying market who could pay higher prices, and wherever chances for deceiving producers, in the matter of weights and measures and other ways are restricted, the position of the middlemen becomes rather critical. But the absence of any such competing agencies and marketing committees in the case of other commodities has rendered their condition in these trades easier for the present. The paddy brokers of Chidambaram say that they feel no difficulty in passing on the tax to the producers.

The condition of middlemen in the selling trade now remains to be examined. Compared to the previous class, their condition is better. Most of them, as they deal in wholesale transactions feel no difficulty in shifting the tax on to the purchasers. The concessions they show, in the matter of allowing credit and instalment system of payment, induce their customers to stick to them, and even lower prices quoted by the manufacturers and wholesalers has had no effect in diminishing their trade. Shifting of the tax has been made easier for these middlemen during the past 7 or 8 months by the rising of prices after the outbreak of the war.

Section 17

DISINTEGRATION OF BUSINESS

It was a very widespread fear prevalent at the time of the passing of the Act that there would be a keen tendency amongst businessmen to split up their businesses in order to escape taxation or derive some advantage. Hence in the course of field work special attention was devoted to elicit as much of information as possible on this question; but all the answers secured after a detailed examination had only revealed the fact that no such tendency is visible, at any rate in this district. And convincing reasons too for this opinion have been gathered, which may be set down below.

Any practically minded businessman would consider first the probable loss of business and the consequent decrease in profit and then only the gain in taxation before launching a scheme of dividing his business. The smallest unit to which the business could be split up to escape taxation, depends upon the minimum exemption level set up in the Act. As under the present Act, Rs. 10,000 which is the minimum fixed, is very low, it is not likely to induce businessmen to split up their businesses. Nobody having a good business would like to set up small and petty shops with a turnover of less than Rs. 30 per day. The fixing of such a low minimum has really conferred a benefit and may be said to have acted as a brake, if there was a move in the direction of splitting up of business.

Again the setting up of the slab rate close to the percentage rate has also weighed much with the merchants in arresting this tendency. As the following calculations would show, persons having business with a turnover of more than 20,000 do not stand to gain, nay, rather stand to lose, by splitting up their businesses into small ones, all assessable under the slab rate, or into one or two in the slab rate and the rest under percentage rate.

In the case of the first line of division, splitting all into concerns coming under slab rate, the resulting loss would be in each case as follows :—*

* In this and the following tables the turnover of the business units in the slab rate is assumed to be just below Rs. 20,000 ; *i.e.* 18,000 allowing for business fluctuations: the amount of the tax is calculated on the basis of the revised rates: *i.e.*, Rs. 4 per month for firms under slab rate and ¼% for those above slab rate.

Turnover of firms.	% tax.	Maximum No. of firms under slab rate.	Tax under slab rate.	Difference.
30,000	75	2	48×2 : 96	—21
40,000	100	2	48×2 : 96	+ 4
50,000	125	3	48×3 : 144	—19
60,000	150	3	48×3 : 144	+ 6
70,000	175	4	48×4 : 192	—17

Firms having a turnover over 70,000 are not likely to be divided into small ones under the slab rate all having a turnover of less than 20,000, as such a procedure would only result in a heavy loss of business. While in such cases it is not considered beneficial to adopt any such practices in others the results in difference are not encouraging. Whereas the negative results denoting loss in each of the three cases are clearly about Rs. 15 to Rs. 20 in the two cases where there is a gain it is so meagre that it would not induce merchants to undergo all pain and trouble involved in the course of division and in the management of small concerns.

Thus while possibilities along this line of division are ruled out of question, sufficient gain would not accrue even by the second mode of division that is of having two concerns under slab rate and one on percentage basis, as the following figures would show:—

Turnover.	Rate %.	Slab rate.	% rate.	Total of 3 & 4.	Difference between 2 & 5.
60,000	150	96	60	156	—6
70,000	175	96	85	181	—6
80,000	200	96	110	206	—6
90,000	225	96	135	231	—6

In all the cases this kind of division involves only a loss.

Only the last method of division remains to be examined, that is, with one concern under slab rate and the rest on percentage basis. Even here there is no gain by dividing businesses but only loss as the figures would show.

30,000	75	48×2		96	—21
40,000	100	48	55	103	— 3
50,000	125	48	80	128	— 3
60,000	150	48	105	153	— 3
70,000	175	48	130	178	— 3
80,000	200	48	155	203	— 3
90,000	225	48	180	228	— 3

Consolidating these results in the following manner it is clear to say that in all the 3 possible ways there is no material advantage to be gained by the merchants by splitting up their business. When merchants are asked why they do not entertain any idea to split their business, to gain some advantage in the amount paid as tax, they point out by working in the manner shown above of how they only stand to lose by such a procedure. When further questioned, why they do not wish to divide their business into small ones, each with a turnover of less than 10,000 to escape taxation altogether, they reply that such a course of action would only result in a loss of business and profit for them; besides, such small concerns, in view of the separate administrative charges that would have to be incurred would be found to be not very remunerative. Conversation with merchants has thus revealed the fact that they are not therefore willing to split up their businesses into smaller ones, either to gain any advantage in the amount of tax paid or to escape taxation altogether.

Cases of turnover.	Possible gain (+) or loss (—) by splitting up of business into concerns.		
	concerns all under slab rate.	2 under slab rate & rest on % basis.	1 on slab rate and rest on % basis.
30,000	—21		—21
40,000	+4		— 3
50,000	—19		— 3
60,000	+6	—6	— 3
70,000	—17	—6	— 3
80,000		—6	— 3
90,000		—6	— 3

Besides these factors, the nature of the business also greatly influences the decision of the owners. Not all business concerns could be

easily split up. It is only certain types of businesses that can be easily split up, while in other cases it is not possible to do so, without incurring any material loss in the process of division itself. As a general rule, it can be stated that in business concerns where much fixed capital in the form of buildings and machinery has been sunk, the process is not easy of accomplishment and, even when accomplished, it is done only at substantial loss. Only in cases, where the greater part of capital invested is circulating capital, that the division is easy and could be indulged in without much loss. In such cases the probable gain must be sufficiently high to compensate for the difficulties attendent on the division and administration of smaller concerns. Such inducements being rendered nil or meagre by the framing of the Act, a tendency in that direction has not been noticeable in this district.

But it would be too much to say at the same time that the sales tax has had no effect at all on the merchants in this direction. Tendencies for merchants to do business under 'kashtakottu' or 'vasakkattu' form have increased with the hope of escaping taxation. As these types of business are also found out and taxed in the name of the principal dealer, it is expected that the weakness the merchants evince in this direction would soon be put a stop to.

Section 18

Cost of Administration

It has been the aim of the Government of Madras to keep the cost of administration of the tax as low as possible, and it is with a view to achieve that end that they seem to have minimised the appointment of special bill-collectors on a large scale and entrusted the work of collection to the village headmen wherever it is possible. It has already been pointed out how this system of administration of the tax has led to indifference on the part of the village headmen and much arrears in collection.

It needs to be stated that it has not been possible to calculate the cost of administration of the tax for the Presidency as a whole. Various difficulties, theoretical and practical have been experienced. Until some definiteness is reached as to what items are to be included under cost of administration of any particular tax, the former difficulties seem to be more difficult to be got over than the latter ones. Doubtful cases such as whether the portion of salaries of the judicial authorities hearing cases brought to them, and the expenses incurred by Government in conducting cases on their behalf relating to the Act are to be added to the administrative cost have to be cleared. Other doubtful points of a similar nature are also found, but they need not be enumerated. The practical difficulties arise out of a system of administration of the tax in which the Commercial Tax Department is entrusted with the administration of a few taxes other than the Sales Tax. The administration of Entertainments Tax Act and the Tobacco (Taxation of Sales and Licensing) Act are also left to it. As such it has been found very difficult to divide the total expenditure of the department among the various taxes. Certain items of expenditure with joint costs could not be separated. Whether the cost is to be allocated among them in the proportion of yield, or total collection of taxes, or in respect of time spent on each tax by the tax authorities or any other method is a point of grave doubt. It will be evident on the face of these suggestions that while in some methods the process of allocation could be carried out without much difficulty, it is not so in other methods. Under such circumstances until some definite policy is laid down with a view to solving the difficulties mentioned above, an attempt to discover the cost of administration of the tax must be postponed.

However it may not be out of place to add here a few words about the cost of the tax in other countries that have adopted it. Materials

about this point are meagre. But in a recent book dealing with the sales tax in Amerian States the authors have published the materials made available by the Research staff of the Interstate Commission on Conflicting Taxation. The sales taxes are classified on the basis of the basic retail rate of the tax. And the costs of administering the State Sales Taxes, covering for the most part the years 1933 and 1934 are tabulated as follows: *

*Estimated direct cost of administering Gross Sales Taxes in States for which Data are available.***

	Annual Revenue Collections. (In dollars)	Approximate Annual cost of Administration. (In dollars)	Cost. (in % of revenue)
Basic retail rate, 3%			
Kentucky ..	7,985,208	558,965	7
Michigan ..	34,871,949	414,327	1·187
North Carolina ..	6,657,022	133,140	2
Ohio ..	43,264,000	1,025,500	2·37
Basic retail rate, 2%—2·9%			
California ..	50,378,604	856,436	1·7
Illinois ..	36,886,116	737,722	2
Iowa ..	10,625,128	318,754	3
Mississippi ..	2,909,701	93,110	3·2
New Mexico ..	1,709,013	51,270	3
Utah	1,871,514	30,000	2
West Virginia ..	20,031,900	Data lacking	
Basic retail rate, 1%—1·9%			
Arizona ..	1,354,360	54,174	4
Indiana ..	11,355,499	283,887	2·5
Oklahoma ..	4,229,724	126,892	3
South Dakota	3,414,191	136,568	4
New York ..	25,869,504	388,043	1·5
Pennsylvania ..	18,243,892	Data lacking but cost has been high	
Basic retail rate, under 1%			
Missouri ..	4,155,444	Data lacking	
Washington ..	5,036,467	225,000	4
Georgia ..	1,212,000	36,360	3

* *Vide* Twentieth Century Fund: "Studies in Current Tax Problem," p. 127.
** Table from Sales Taxes: State vs. Federal, p. 10.

Certain broad generalisations to which the authors have come from these figures may be quoted. They remark:

> "It appears to be generally true that a 3% tax can be administered for less than 2% of the revenue; a 2% tax can be administered for less than 3% of the revenue; and a 1% tax can on the average be collected for a little more than 3% of the revenue."*

These figures and inferences therefrom only bring out the plain truth that the smaller the rate, the greater is the cost of administering the tax. In our province with a low rate and with a wide area to cover up, the cost of administering is likely to be high. The possible ways of minimising cost seem to lie only in checking evasion and securing greater co-ordination between the Commercial Tax Department and various other tax departments and other governmental, quasi-governmental and private bodies, with a view to avoiding duplication of work leading to unnecessary expenditure. Minimum expenditure with maximum efficiency alone can achieve good results.

*Quoted in "Studies in Current Tax Problems": (Twentieth Century Fund), p. 128.

Section 19

GENERAL OBSERVATIONS.

Within the short period of working of the Act, it cannot be said without exaggeration that all the merchants in this locality have clearly understood the implications of the Act; it is too much to expect that they would have executed the duties that fall upon them as promptly and as punctually as may be imagined. Cases of negligence of work have been numerous and they would have been still greater had not the tax authorities taken upon themselves during the first few months the task of going about and informing the merchants of what they ought to do. It is said that in the beginning of the half year, that is, during October and the subsequent months, the assessing authorities themselves did a greater part of the filling up of forms of returns, on behalf of the taxpayers. In spite of the trouble taken by the authorities many merchants had defaulted in the submission of A returns and monthly returns (A_3) in respect of which they could not but be punished. One noticeable feature among such merchants had been that they always accepted their mistake and paid the fines without much grudging. When asked why they committed such mistakes especially when the Act had been explained to them and they had also been informed of the impending punishment in case of default, they pleaded ignorance. The real reason seems to be their intention to gain as much of time as possible for the payment of the tax, and when they realised that delay in submission of returns would facilitate the fulfilment of their object, they were only too quick to seize it.

While cases of failure in sending up of returns are not negligible, —about 7 for 6 months—cases of non-payment of taxes are also common. But the default of payment of taxes at the proper time, as in the previous case, is observed to have been greater in the case of smaller merchants, usually having a turnover of less than Rs. 40,000. As those with a turnover of above Rs. 40,000 are mostly income tax payers and are therefore accustomed to regular payment of taxes, they are not usually at default with regard to the payment of this tax. It is to be clearly emphasised here that the reason for the smaller merchants showing a tendency for default is to be found not in their incapacity or inability to pay the tax, but in the fact that they have not yet got into the habit of regularly paying the taxes. It is a regrettable fact to note that their payment of municipal and profession taxes has not in any way brought about a change in their habits and modes and instilled into them

any idea of punctuality and a sense of the duty they owe the state. But it is confidently hoped that with the march of time such a feeling would prevail upon the smaller merchants who would then become regular taxpayers.

Apart from these two weaknesses that the merchants have evinced, it is learnt, they have not shown any other case of wilful negligence, at least so far as this district is concerned. When especially an effort was made to know whether dealers have any inclination to submit incorrect accounts and they have attempted to violate the provisions of the Act it is learnt that such cases have been extremely rare. It is said that in the whole district with a total number of assessees of about 800 only 2 cases have been compounded for such offences for the first 6 months. This is almost a negligible number.

In general it must be said, that so far as this district is concerned, the merchants have paid all attention they could to observe the Act. But there have been cases, where violations of the Act or rules were noticed, but they are only small compared to the total number of assessees. It will not be too much to say, therefore, that the Act has been more often observed than violated.

A word might also be added here as regards the punishment awarded for the offences. It must be said to the credit of the tax authorities that they, knowing human weaknesses and limitations, have always been sympathetic to the merchants. Realising that the tax is a new one and that it would take some time for the merchants to attend to their duties in fulfilling the Act, in a routine way, they have always been generous to let off the defaulters with light fines. The fact that the compounding charges had not gone beyond Rs. 25 (in this district) though they had power to levy fines up to Rs. 1,000 shows how lenient they have been. In the greater number of cases compounded for offences here, the fines are said to range from Rs. 5 to Rs. 15. But it is expected that the merchants would not avail themselves of this tenderness on the part of the authorities to take any undue advantage. They have already realised that they would be taken to task severely for offences in future and are becoming more and more punctual in the proper execution of their duties.

APPENDICES.

A.

TURNOVER OF TRIPLICANE URBAN CO-OPERATIVE SOCIETY AND SOME OF ITS BRANCHES

(In Rupees)

Months.	1937-38.	1938-39.	1939-40.
October	87,487	74,636	76,492
November	76,259	68,290	81,292
December	83,957	77,497	82,679
January	82,222	74,935	83,011
February	73,970	68,920	78,461
March	78,174	73,996	81,324
Total	482,069	438,274	483,259

Brodies Road.				George Town II.		
1937-38.	1938-39.	1939-40.	Month.	1937-38.	1938-39.	1939-40.
3322	2906	2672	October	3142	2551	2133
2762	2687	2868	November	2865	2203	2229
3132	3091	3407	December	3195	2621	2386
3148	3077	3197	January	2693	2299	2374
2824	3067	3286	February	2590	1886	2259
2941	3127	2976	March	2802	2025	2362
18129	17955	18406	Total	17287	13585	13743

Nungambakkam.				Thyagarayanagar.		
1937-38.	1938-39.	1939-40.	Month.	1937-38.	1938-39.	1939-40.
5532	5069	4767	October	5179	3805	5369
4728	4514	5519	November	4512	3682	6055
4720	4814	4871	December	4968	4392	6362
5124	4784	5514	January	4900	4238	6569
4967	4433	5118	February	4288	3995	6193
4755	4866	5273	March	4473	4513	6449
29826	28480	31062	Total	28320	24625	36997

Car Street.				Laxmipuram.		
1937–38.	1938–39.	1939–40.	Month.	1937–38.	1938–39.	1939–40.
3410	2908	3165	October	1638	2510	2586
3246	2725	3571	November	1612	2113	2330
3491	3140	3547	December	1869	2326	2378
3369	2918	3731	January	1802	2399	2448
3033	2794	3471	February	1843	2288	2297
3343	3127	3529	March	2154	2532	2434
19892	17612	21014	Total	10918	14168	14473

Royapettah.				Madhavapuram.		
1937–38.	1938–39.	1939–40.	Month.	1937–38.	1938–39.	1939–40.
4826	3826	3926	October	4752	3915	4491
4126	3291	4033	November	4003	3604	4499
4795	3972	4163	December	4437	4101	4940
4798	3656	4705	January	4274	4063	4500
4043	3350	3996	February	4025	3473	4299
4222	3505	4724	March	4303	3993	4613
26810	21600	25547	Total	25794	23149	27342

Triplicane.				Mylapore II.		
1937–38.	1938–39.	1939–40.	Month.	1937–38.	1938–39.	1939–40.
5626	5169	5097	October	4997	3985	3921
4959	4525	5528	November	3932	3223	3996
4920	4949	5319	December	4458	3587	4050
5374	5164	5687	January	4227	3611	3901
4976	4827	5471	February	3715	3326	3566
5289	4963	5399	March	4114	3468	3486
31144	29597	32501	Total	25443	21200	22920

B

GENERAL NATIONAL-GOVERNMENT SALES TAXES IN VARIOUS COUNTRIES. *

Section a.—British Empire.

Country.	Title of tax.	Law establishing tax.	Payment of tax.	Basis of tax.	Measure of tax.	Rates.	Disposition.	Exemptions.
Australia	Producer's sales tax	Law of August, 18, 1930.	Monthly	Sale of commodities by producers and importers.	Total sales and imports	5% ..	To National government	Exporting, sales of agricultural foods, many articles used in the extractive industries, and specified articles.
Canada	Sales tax	Law of July, 1, 1920.	Monthly	Sales of producers, manufacturers and importers.	Total sales completed	6% .. Annual licence $ 2·00	To National government	Exporting, agriculture, sales of essential foods, fuels, raw materials equipment used in the extractive industries, etc.
New Zealand	Sales tax	Law of March 9, 1933.	Monthly	Sales of whole salers and manufacturing retailers.	..	5% ..	To National government	Exporting, agriculture, many foods machinery and implements and many other specified articles.

* Adapted from "The Tax Systems of the World"—5th Edition, page 266.

Section b.—Europe

Country	Title of tax	Law establishing tax.	Payment of tax.	Basis of tax.	Measure of tax.	Rates.	Disposition.	Exemptions.
Austria	Turnover tax	Law of April 1, 1923.	Annual[2]	Total business turnover	Total Sales	Rates generally 2% to 8% but vary with classes of commodities.	60% to National government & 40% to local government	Exporting.
Belgium	Transfer tax	Law of August, 28, 1921.	Monthly	Sales of commodities except at retail and for use in business	All business transactions	Usual rate 2·5% with variations according to commodities	To National government	Exporting, government purchases, and sales of prime necessities.
Danzig	Turnover tax	Law of July, 7, 1922	Annual	Amount of receipts	Completed sales	3% ordinary rate, 1% on retailing, 1·5% on agriculture and 10% on restaurants.	40% to State and 60% to Local Governments.	Exporting and Importing.
France	Turnover tax	Law of June 25, 1920	Monthly for larger and annually for smaller tax-payers.	Total business turnover	Total completed sales	2% on ordinary articles, 3% to 16% on luxuries and various rates on special industries	90% to National and 10% to local governments.	Exporting, agriculture, professions, government enterprise, transactions liable for special taxation.
Germany	Turnover tax	Law of December 24, 1919.	Annual	Gross income of business and professions	Gross income	2%	70% to National and 30% to State and local governments	Exporting, government enterprise transactions liable for especial taxation, and a few foods.
Hungary	Turnover tax	Law of 1921	Annual	Gross receipts	Delivery of sales	3% basis on ordinary articles, 10%—25% on luxuries, various rates on special industries.	10%–25% to local governments & rest to National government.	Exporting and essentials foods

2. As far as may be ascertained the information is not altogether conclusive.

Country	Title of tax	Law establishing tax	Payment of tax	Basis of tax	Measure of tax	Rates	Disposition	Exemptions
Italy	Transfer tax	Law of November 24, 1919.	Monthly	Sales of commodities for use in business except at retail	Value of goods transferred	2·5% ..	To National government	Exporting, government industry, sales of essential foods
Luxemburg	Turnover tax	Law of July, 21, 1922.	Quarterly	Value of sales except at retail	Total business	1% on ordinary sales and 5%—10% on luxuries	8% to communes and rest to State	Exporting.
Poland	Industrial tax and licence duty	Law of July, 15, 1925	Monthly for larger and Quarterly for smaller tax-payers.	Gross income of business and professions	Gross sales and privilege of doing business	Industrial tax ½% to 5% and licence varies	Local governments may add 25% to industrial tax and 30% to licence duty	Exporting, state industries utilities, railways, non-profit associations of workers, certain raw materials and semi-manufactured articles
Rumania	Turnover tax	Law of 1921	Single	Total business turnover	Value of sales	1·1% to 2·5% on ordinary sales and various rates on specified articles and luxuries	To National government	Certain Commodities
Soviet Russia	Industrial tax and licence duty	Law of July, 26, 1921	In 5 instalments through year	Total annual turnover	Total annual turnover	Vary according to classification	Divided between National and local governments 3	......

3. Data unavailable.

Section c.—Central and South America and Miscellaneous countries

Country.	Title of tax.	Law establishing tax.	Payment of tax.	Basis of tax	Measure of tax.	Rates.	Disposition.	Exemptions.
Argentina	Transactions tax	Law of October, 15, 1931	Quarterly	Commercial receipts	Total Sales	0·3%	To National government	Public Utilities, agricultural products, retailers of certain foods, and magazines
Bolivia	Sales Tax	Law of December 12, 1923.	Annual	Sales of merchants and manufacturers	Gross Sales	0·5%	3 ..	Exporting and importing in general, sales of mines, farmer, etc.
Brazil	General Stamp Tax	Law of 1924	3	Sales of commodities at wholesale and retail	All transactions	0·5%, 1% and 2%	To National government	Agriculture and the professions
Ecuador	Sales tax	Law of 1923	Single	Gross sales of commerce and industry	Gross Sales	1%	To National government.	Exporting and Act subsidiary to selling
Philippine Islands	Sales Tax	Law of 1904	Quarterly	Gross sales of merchants and manufacturers and gross receipts of printers, publishers, contractors, public utilities, laundries etc.	Total sales or receipts	1%, 1·5%	About 10% to insular government and remainder to local governments	Agriculture, small vendors and producers, and (specially taxed articles)
Puerto Rico	Sales Tax	Law of August, 20, 1925	Monthly	Gross sales of Merchants	Total daily sales	2%	To insular government	Foodstuffs, gasoline, electricity, real property, sales of farm products, fertilizer, etc.

3. Data unavailable.

PERCENTAGE OF REVENUES DERIVED FROM GENERAL SALES TAX IN VARIOUS COUNTRIES.*

Country.		1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	
Austria	*a.*	—	—	6·5	17·4	16·9	18·0	—	—	*a.* Based on budget estimates in 1926.
Belgium	*b.*	—	32·2	10·8	18·2	16·5	17·2	28·4	26·9	*b.* " "
Brazil	*c.*	—	—	—	8·4	8·4	5·0	—	—	*c.* " "
Canada	*d.*	8·8	16·1	22·6	24·6	30·6	19·3	20·5	16·8	*d.* Based on Revenue collections.
Czechoslovakia	*e.*	—	11·7	15·7	16·8	17·2	15·9	17·6	18·5	*e.* Based on budget estimates for years 1923-28.
France	*f.*	8·2	9·3	12·7	14·3	13·3	18·1	19·9	20·1	*f.* Based on budget estimates for 1925.
Germany	*g.*	7·7	14·3	8·9	24·7	18·3	10·7	9·7	10·3	*g.* Based on budget estimates for 1923.
Hungary	*h.*	—	—	—	23·6	16·7	15·7	14·6	13·7	*h.* Data show % total revenues.
Italy	*i.*	0·3	0·9	1·3	2·3	2·8	3·4	3·0	—	*i.* Based on revenue collections.
Portugal	*j.*	—	—	—	—	8·0	4·8	6·5	5·4	*j.* Based on provincial receipts.
Poland	*k.*	—	—	9·9	15·0	15·0	13·0	13·3	13·5	*k.* Data show % of total taxes.
Phillipines	*l.*	26·4	27·1	32·7	36·6	35·4	35·5	34·1	31·6	*l.* Data show % of internal revenue receipts.
Roumania	*m.*	—	—	4·9	5·0	4·2	4·9	5·6	5·8	*m.* Based on budget estimates.
Russia	*n.*	—	—	—	—	—	11·7	12·5	26·3	*n.* Based on budget for years 1926 and 1928.
West Virginia	*o.*	—	20·3	23·6	23·5	18·4	20·3	23·8	20·4	*o.* Data show % of total taxes for state purposes.

* Table taken from "Readings in Public Finance and Taxation"; Mills and Starr.

SUMMARY OF THE MEMORANDUM OF THE DEPUTATION TO HIS EXCELLENCY THE GOVERNOR OF MADRAS.[1]

A Deputation representing the Chamber* and its affiliated bodies waited on H. E. the Governor of Madras at Government House, on the 12th Feb. 1940. The object of the deputation was to make representations to His Excellency on the subject of the Madras General Sales Tax Act and of certain details regarding its application.

* * * * * *

The deputation pointed out that the Act had been worked for more than four months now and during these months many of the fears expressed by commercial opinion in the province with regard to the repercussions of this Act had been justified. There had been a marked flight of business, so far as the wholesale trade was concerned, to places beyond this province. The trading community had been subjected to distress and annoyance by the insistence on returns, accounts and explanations arising out of the administration of the Act, and the consequent necessity to employ account clerks, was found to be a severe strain on small traders who worked on extremely low margins of profit. Other factors brought in by the present unsettled condition of world trade together with the price increases brought upon by the sales tax would, it was feared, accentuate the regressive tendency that a sales tax had on consumption generally.

The popular Government which introduced this tax justified its imposition on the ground that it was needed to replace the loss in excise revenue and that the improvement in the economic condition of the districts which went dry would result in a stimulation of trade in the dry districts and would more than offset the adverse effects of the tax which the commercial community would ordinarily experience. In fact that was the only justification that was urged for the imposition of tax so universally unpopular both with trade and commerce. But in view of the fact that His Excellency's Government would not propose to make a general extension of the dry area in the province so as to absorb the entire revenue from this tax, the justification for continuance of this tax did not seem to exist. The deputation would, therefore request His Excellency to suspend the operation of this tax forthwith.

The deputation also urged that Indent Agents should not be brought within the scope of Explanation (2) to Section 2(b) of the Act and pleaded that oil crushing industry should be exempted from being taxed twice, namely both on purchase turnover of groundnuts as well as on the sales turnover of oil and cake.

The Indian Chamber of Commerce, Tuticorin, also submitted a memorandum to His Excellency pointing out some of the difficulties felt by commission merchants and canvassing agents in the application and administration of the Sales Tax. It referred to the objections raised by the Commercial Officers in regard to the mode of trade and accounting by commission merchants and stated that any change in the present system which had been approved by the Income-tax Department would mean complete dislocation of trade and wipe out many middlemen.

1. The Southern India Chamber of Commerce, Vol. III, No. 2; February 1940; p. 49.

* The Southern India Chamber of Commerce.

E

REPLY OF THE GOVERNMENT OF MADRAS TO THE MEMORANDUM *

The following letter dated 6th March 1940 has been received from the Government of Madras in reply to the Memorandum of the Deputation of 12th February 1940 to H. E. the Governor regarding the Madras General Sales Tax:—

"I am directed to inform you that H. E. the Governor has carefully considered the representations regarding the working of the Madras General Sales Tax Act, 1939, made by the deputation orally and in their written memorandum.

"As regards the request that the operation of the Act should be suspended, I am to invite attention to the Press Communique No. 27, dated 4th March 1940, on the Budget Estimates for 1940-41. As explained therein, the Sales Tax and the other new taxes are necessary in order to finance Prohibition in the four districts in which it is in operation. The Sales Tax is, however, to be reduced for the year 1940-41 from one half of one percent to one quarter of one percent in the case of the tax on turnovers exceeding Rs. 20,000 and from Rs. 5 to Rs. 4 per mensem on turnover between Rs. 10,000 and Rs. 20,000 in order to limit the total yield from the new taxes to the amount actually necessary to finance Prohibition during 1940-41.

"As regards the request that 'indent' agents should not be brought within explanation (2) to section 2(b) of the General Sales Tax Act, I am directed to state that the decision of the Government will be communicated to the Chamber in due course.

"With reference to the complaint that commission agents who receive a commission from both the buyer and the seller, are being taxed as dealers, I am to state that there appears to be some misunderstanding of the orders issued by the Commissioner of Commercial Taxes in this respect and that the Government have the whole question under examination.

Another representation made at the deputation was that the officers of the Commercial Tax Department frequently call for and detain account books which are required by the dealers in their places of business for making day-to-day entries. I am directed to state that the Commissioner of Commercial Taxes has recently issued instructions that accounts are not to be called for as a routine matter for the purpose of checking every return, that inspection of a dealer's accounts should only be made occasionally and as far as possible at the premises of the dealers and that the accounts of dealers will normally be summoned only in cases where there is reason to suppose that returns are incorrect or incomplete.

"As regards the rebate on finished articles of industrial manufacture under Section 7 of the Act, I am to invite attention to G. O. No. 3434, Revenue dated 21st December 1939, a copy of which has already been forwarded to the Chamber in which certain additional articles have been listed for the concession. In preparing these lists the Government have followed the principle of selecting

* The Southern India Chamber of Commerce, Vol. III, No. 3; March 1940; p. 67.

those finished articles of industrial manufacture which are manufactured by employers of labour on an appreciable scale in this Province and of which the export is not inconsiderable.

"It was also represented that the accommodation and furniture in certain Commercial Tax offices were inadequate and particular reference was made by Sri. Dhanushkodi Nadar of Tuticorin to the office at Tuticorin. I am to state that the Commissioner of Commercial Taxes has this matter in mind and will provide more adequate accommodation and furniture for the offices as far as circumstances permit.

"The following matters are under consideration and orders will be passed as soon as possible:—

(a) The complaint against the taxing of dealers who buy groundnut and convert it into oil and cake both on their purchase of groundnuts and again on their sales of oil and cake.

(b) The request for the reduction from the turnover of a manufacturer of the excise duty paid by him to the Central Government on matches and sugar.

(c) The request for the acceptance of the system of account-keeping followed by certain dealers at Tuticorin (made by Sri Dhanushkodi Nadar) and

(d) The contention that the Agent for the Associated Cement Company at Cocanada was being treated as a dealer instead of as an agent under section 8 of the Act."

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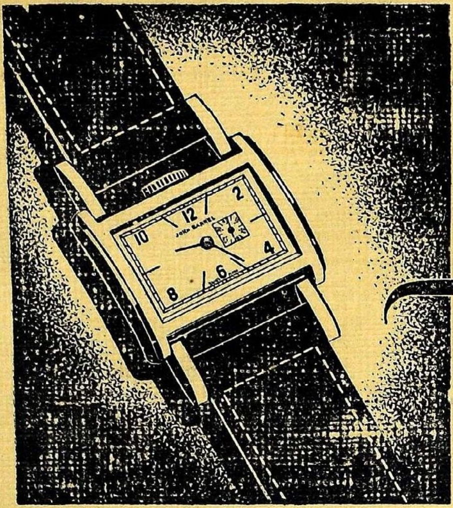

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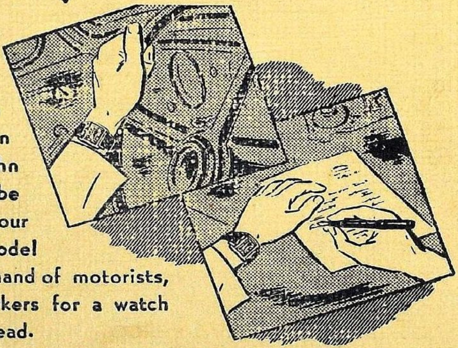

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